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APPLICATION PROOF OF



TOMO Holdings Limited

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

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TOMO Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] : [REDACTED] Shares
Number of [REDACTED] : [REDACTED] Shares (subject to reallocation)
Number of [REDACTED] : [REDACTED] Shares (subject to reallocation)
[REDACTED] : Not more than HK\$[REDACTED] per [REDACTED],
plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full in Hong Kong dollars on application and subject to refund), and expected to be not less than HK\$[REDACTED] per [REDACTED]
Nominal Value : HK\$0.01 per Share
Stock Code : [●]

Sole Sponsor



[REDACTED] and [REDACTED]

[●]

[●]

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The [REDACTED] is expected to be determined by agreement between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]) on the [REDACTED], which is expected to be on or around [REDACTED] (Hong Kong time) or such later date as may be agreed by our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), but in any event no later than [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced. Investors applying for the [REDACTED] must pay on application the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the final [REDACTED] is lower than HK\$[REDACTED]. The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, with our consent, reduce the indicative [REDACTED] and/or the number of [REDACTED] stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. If this occurs, notice of reduction of the indicative [REDACTED] and/or the number of [REDACTED] will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.thetomogroup.com.

If, for any reason, our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]) are unable to agree on the [REDACTED] on such later date as may be agreed by our Company and the [REDACTED] (for themselves and on behalf of [REDACTED]) but in any event no later than [REDACTED], the [REDACTED] will not proceed and will lapse.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged, or transferred within the United States, or to, or for the amount or benefit of U.S. persons, except pursuant to an exemption form, or in a transaction not subject to the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law.

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

Prospective investors of the [REDACTED] should note that the obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) upon the occurrence of any of the events set forth in the section headed “[REDACTED] — [REDACTED] Arrangements and Expenses — The [REDACTED] — Grounds for termination” in this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Should the [REDACTED] (for themselves and on behalf of the [REDACTED]) terminate the [REDACTED], the [REDACTED] will not proceed and will lapse. Further details of these termination provisions are set out in the section headed “[REDACTED]” in this document. It is important that prospective investors refer to that section for further details.

[REDACTED]

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GEM has been positioned as a market designed to accommodate companies to 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.

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THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE. THE INFORMATION IN THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This document is issued by our Company solely in connection with the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this document pursuant to the [REDACTED]. This document 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. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong.

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

	<i>Page</i>
Characteristics of GEM	i
Expected Timetable	ii
Contents	iv
Summary	1
Definitions	11
Glossary of Technical Terms	20
Forward-looking Statements	21
Risk Factors	22
Information about this Document and the [REDACTED]	32
Directors and Parties Involved in the [REDACTED]	36
Corporate Information	39
Industry Overview	41
Regulatory Overview	53
History, Reorganisation and Group Structure	62

CONTENTS

	<i>Page</i>
Business	68
Relationship with Controlling Shareholders	100
Directors, Senior Management and Employees	105
Substantial Shareholders	119
Share Capital	120
Financial Information	123
Future Plans and [REDACTED]	151
[REDACTED]	159
Structure and Conditions of the [REDACTED]	168
How to Apply for the [REDACTED]	174
Appendices	
Appendix I — Accountant’s Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Summary of the Constitution of our Company and Cayman Islands Company Law	III-1
Appendix IV — Statutory and General Information	IV-1
Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection	V-1

SUMMARY

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

OVERVIEW

Our Group is principally engaged in the passenger vehicle (“PV”) leather upholstery business and electronic accessories business in Singapore. According to the Frost & Sullivan Report, we were the leading PV interior modification service provider in Singapore in 2015 in terms of sales revenue, with a market share of 14.0%. We also ranked first in both the PV leather upholstery and electronic accessories segments in Singapore by sales revenue in 2015. Our total revenue for the years ended 31 December 2015 and 2016 were approximately S\$11.5 million and S\$13.1 million, respectively. Our total gross profit for the years ended 31 December 2015 and 2016 were approximately S\$4.6 million and S\$5.2 million, respectively. We supply a wide range of PV leather upholstery and electronic accessories to authorised PV distributors and dealers, including various subsidiaries of Customer Group A who is one of the leading authorised PV distributors and dealers in Singapore. Revenue from Customer Group A accounted for approximately 79.5% and 78.1% of our total revenue for the years ended 31 December 2015 and 2016, respectively. Please also refer to the sections headed “Risk Factors — A substantial amount of our revenue is derived from sales to Customer Group A, our largest customer during the Track Record Period, and any decrease or loss of business with any of the Largest Customer’s SG Subsidiaries could materially and adversely affect our business, financial condition and results of operations” and “Business — Customers” of this document for further details.

For our leather upholstery business, we supply and install custom-fitted leather upholstery for PV seats. We also provide leather wrapping for other PV interior products such as door panels, head rests and arm rests. For the years ended 31 December 2015 and 2016, revenue generated from our leather upholstery business accounted for approximately 31.1% and 34.3%, respectively of our total revenue.

As for our electronic accessories business, it is divided into two sub-segments, namely (i) navigation and multimedia accessories; and (ii) safety and security accessories. Our navigation and multimedia accessories sub-segment is focused on the supply and installation of products such as navigation systems, head units and in-car entertainment systems, while our safety and security accessories sub-segment is focused on the supply and installation of products that improve driver and passenger safety and security, such as digital video recorders, reverse cameras and parking sensors and security alarm systems. For the years ended 31 December 2015 and 2016, revenue generated from our electronic accessories business accounted for approximately 68.9% and 65.7%, respectively, of our total revenue.

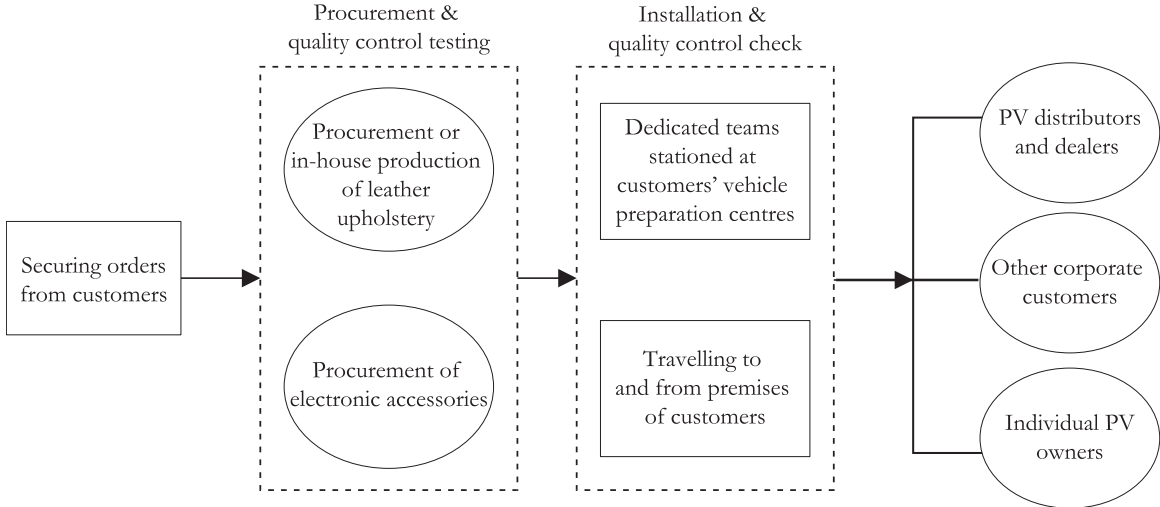
The following table sets forth the revenue of our Group by business segment for the Track Record Period:

	Year ended 31 December			
	2015		2016	
	Revenue		Revenue	
	S\$’000	%	S\$’000	%
Leather upholstery business	3,566	31.1	4,482	34.3
Electronic accessories business				
— Navigation and multimedia	3,784	33.0	3,905	29.8
— Safety and security	4,120	35.9	4,695	35.9
	7,904	68.9	8,600	65.7
Total	11,470	100.0	13,082	100.0

SUMMARY

OUR BUSINESS MODEL

For both our businesses, our customers are typically authorised PV distributors and dealers in Singapore. Our Group’s revenue was derived from the supply and installation service of PV leather upholstery and electronic accessories during the Track Record Period. We provide our installation services both in our workshop and at our customers’ vehicle preparation centres. We recognise our revenue when our installation services have been delivered to and accepted by our customers. According to the Frost & Sullivan Report, there were 34 passenger vehicle distributors and dealers in Singapore in 2015, and 11 of them were our customers during the Track Record Period. The following chart illustrates our business model:



For further details on our business model, please refer to the section entitled “Business — Our Business Model” of this document.

OUR COMPETITIVE STRENGTHS

We believe our competitive strengths include: (i) we are the leading service provider of PV leather upholstery and electronic accessories in Singapore, with an established and proven track record; (ii) we have long standing and well-established relationships with many of our customers and suppliers; (iii) we focus on providing high quality products and services and implement stringent quality control; and (iv) we have an experienced and stable senior management team supported by a team of well-trained technicians. For details, please refer to the section headed “Business — Our Competitive Strengths” of this document.

OUR BUSINESS STRATEGIES

We expect to achieve sustainable growth so as to create long term value for our shareholders and we intend to do so by pursuing the following strategies (i) upgrade existing facilities to continue to grow our business; (ii) acquire new premises to serve as showroom, workshop, and warehouse; (iii) expand our customer base by strengthening sales and marketing efforts; (iv) expand our product offerings; (v) upgrade our information technology system and enhance our overall efficiency; and (vi) recruit and expand our team of technicians and strengthen staff training.

SUMMARY

For details, please refer to the section headed “Business — Our Business Strategies” of this document.

CUSTOMERS

Our customers for both of our leather upholstery business and electronic accessories business are primarily authorised PV distributors and dealers who engage us for the supply and installation of PV leather upholstery and electronic accessories. For the years ended 31 December 2015 and 2016, revenue generated from our authorised PV distributors and dealer customers amounted to 96.0% and 95.8%, respectively. We occasionally provide PV leather upholstery and electronic accessories to other corporate customers, such as car rental companies, and individual car owners. The revenue generated from these other customers amounted to 4.0% and 4.2% during the same periods, respectively. We have well-established and long term relationships with many of our customers.

For the years ended 31 December 2015 and 2016, revenue generated from our top five customers accounted for approximately 93.9% and 92.1% of our total revenue, respectively, and revenue generated from our largest customer, Customer Group A, accounted for approximately 79.5% and 78.1% of our total revenue during the same periods, respectively. All of our top five customers during the Track Record Period were authorised passenger vehicle distributors and dealers. For details, please refer to the section headed “Business — Customers” of this document.

Our largest customer — Customer Group A

Customer Group A is one of the largest authorised PV distributors and dealers in Singapore and listed on the Singapore Exchange Limited. Customer Group A belongs to a multinational diversified business group. In Singapore, Customer Group A is primarily engaged in retail, distribution and after-sales services of a number of brands of motor vehicles. During the Track Record Period, we provided PV leather upholstery and electronic accessories for the pre-delivery passenger vehicles and to the after-sales departments of the Singapore subsidiaries of Customer Group A (the “**Largest Customer’s SG Subsidiaries**”).

As at the Latest Practicable Date, we have been providing products and services for passenger vehicles distributed by each of our Largest Customer’s SG Subsidiaries for periods ranging from ten to 22 years, and have not experienced any material dispute with any of our Largest Customer’s SG Subsidiaries. For further details on our relationship and service arrangement with Customer Group A, please refer to the section headed “Business — Our Largest Customer — Customer Group A” and “Business — Sales Orders and Sales Agreements” of this document.

Despite such customer concentration, our Directors consider that we are not reliant on any single customer and capable of maintaining our sales in the future. For further details on customer concentration, please refer to the section entitled “Business — Customer Concentration” of this document.

SUPPLIERS

Our suppliers for our leather upholstery business include (i) suppliers of leather hides; and (ii) suppliers of custom-fitted leather upholstery for PV seats. Our suppliers for the navigation and multimedia sub-segment of our electronic accessories business include various suppliers of navigation systems and multimedia players. Our suppliers for the security and safety sub-segment of our electronic

SUMMARY

accessories business include various suppliers of electronic accessories such as, among others, digital video recorders, parking sensors and cameras. Certain of our suppliers grant us exclusive distributorships for their PV electronic accessories in Singapore.

For the years ended 31 December 2015 and 2016, purchases from our top five suppliers of our Group accounted for approximately 73.0% and 82.0% of our total purchases, respectively, and purchases from our largest supplier accounted for approximately 24.7% and 25.3% of our total purchases during the same period, respectively. For details, please refer to the section headed “Business — Suppliers” of this document.

Pricing policy and credit terms

We generally price our PV leather upholstery products taking into consideration of factors such as the type of leather, complexity of design and work, volume and lead time.

As for our PV electronics accessories products, we generally price them taking into consideration of the market availability of comparable products, difficulty and complexity of installation, order volume and lead time. For urgent orders, we may charge a price premium compared to the normal orders.

In accordance with our Group’s credit policy, we generally offer our customers 30 day’s credit terms and payment is made by way of cheques and telegraphic transfers. For our retail customers, being individual passenger vehicle owners, payment is generally made in full on delivery by way of cash or credit card, but we may require deposits for PV leather upholstery products.

COMPETITION

According to the Frost & Sullivan Report, the complex consumer demand and the requirement to have good connections with car dealers, among others, are the major market entry barriers to the PV interior modification industry. Our Directors believe that our competitive strengths, in particular our established and proven track record and our long standing and well-established relationships with many of our customers and suppliers, put our Group in a good position to maintain our position as one of the leading players in the PV interior modification market in Singapore. For details, please refer to the section headed “Industry Overview — Competitive Landscape of Singapore Passenger Vehicle Interior Modification Market” of this document.

RISK FACTORS

Potential investors are advised to read carefully the section entitled “Risk Factors” of this document and, in particular, should evaluate the following risks associated with the investment in our Shares. Some of the more particular risk factors include:

- (i) a substantial amount of our revenue is derived from sales to Customers Group A, our largest customer during the Track Record Period, and any decrease or loss of business with any of the Largest Customer’s SG Subsidiaries could materially and adversely affect our business, financial conditions and results of operations;
- (ii) our business depends on our reputation and our customer services. Any failure to maintain our reputation and our customer services may materially and adversely affect our business, financial conditions and results of operations;

SUMMARY

- (iii) we require a stable supply of technicians and foreign workers for our services; and
- (iv) we depend on our suppliers for the PV leather upholstery and electronic accessories we use in our business operations.

SUMMARY OF FINANCIAL INFORMATION

The tables below summarise our combined financial information for the two years ended 31 December 2016, and should be read in conjunction with our financial information included in the Accountant’s Report set forth in Appendix I to this document, including the notes thereto.

Highlight of our combined statements of comprehensive income

	Year ended 31 December	
	2015	2016
	S\$	S\$
Revenue	11,470,263	13,081,710
Cost of sales	<u>(6,864,307)</u>	<u>(7,831,869)</u>
Gross profit	4,605,956	5,249,841
Other income	58,964	60,516
Other losses — net	(93,576)	(80,893)
Selling and distribution expenses	(391,346)	(426,557)
Administrative expenses	(840,452)	(1,154,938)
Finance cost — net	<u>(3,124)</u>	<u>(2,883)</u>
Profit before income tax	3,336,422	3,645,086
Income tax expense	<u>(524,086)</u>	<u>(629,000)</u>
Profit and total comprehensive income for the year attributable to equity holders of the Company	<u><u>2,812,336</u></u>	<u><u>3,016,086</u></u>

Gross profit margin and net profit margin

The table below sets forth a breakdown of gross profit and gross profit margin by business segment for the Track Record Period:

	Year ended 31 December					
	2015			2016		
	Gross profit			Gross profit		
	S\$'000	%	margin %	S\$'000	%	margin %
Leather upholstery business	1,089	23.6	30.5	1,331	25.4	29.7
Electronic accessories business						
— Navigation and multimedia	1,390	30.2	36.7	1,419	27.0	36.3
— Safety and security	2,127	46.2	51.6	2,500	47.6	53.3
	<u>3,517</u>	<u>76.4</u>	<u>44.5</u>	<u>3,919</u>	<u>74.6</u>	<u>45.6</u>
Total	<u><u>4,606</u></u>	<u><u>100.0</u></u>	<u><u>40.2</u></u>	<u><u>5,250</u></u>	<u><u>100.0</u></u>	<u><u>40.1</u></u>

Our gross profit was approximately S\$4.6 million and S\$5.2 million for the years ended 31 December 2015 and 2016, respectively. Our gross profit margin was approximately 40.2% and 40.1% for the years ended 31 December 2015 and 2016, respectively. Our safety and security sub-segment

SUMMARY

recorded relatively higher gross profit margin during the Track Record Period as the electronic accessories offered in this sub-segment, in particular the digital video recorders, were widely accepted in the PV market and new models of these accessories could be priced at a more favourable margin.

Profit for the year

Our Group’s profit for the year ended 31 December 2016 was approximately S\$3.0 million, representing an increase of approximately 7.2% on a year-on-year basis, and was mainly due to the increase in revenue during the year.

Highlight of certain items of our combined balance sheets

	As at 31 December	
	2015	2016
	S\$	S\$
Non-current assets	1,073,110	1,081,489
Current assets	7,606,379	8,858,712
Current liabilities	1,360,562	1,605,188
Net current assets	6,245,817	7,253,524
Net assets	7,318,927	8,335,013

Our net current assets increased by approximately S\$1.0 million or 16.1% from approximately S\$6.2 million as at 31 December 2015 to approximately S\$7.3 million as at 31 December 2016. This is primarily due to (i) the increase in trade and other receivables of approximately S\$1.0 million; (ii) the increase in cash and cash equivalents of approximately S\$0.7 million received from customers due to the increase of our revenue for the year ended 31 December 2016, partially offset by (iii) the decrease in inventories of approximately S\$0.5 million; and (iv) the increase in trade and other payables of approximately S\$0.3 million.

Highlight of combined statements of cash flows

	Year ended 31 December	
	2015	2016
	S\$	S\$
Net cash generated from operating activities	3,080,140	3,039,235
Net cash used in investing activities	(108,651)	(173,388)
Net cash used in financing activities	(1,102,102)	(2,156,374)
Net increase in cash and cash equivalents	1,869,387	709,473
Cash and cash equivalents at beginning of the year	2,631,229	4,500,616
Cash and cash equivalents at end of the year	4,500,616	5,210,089

SUMMARY

Key financial ratios

	As at/Year ended 31 December	
	2015	2016
Current ratio	5.6x	5.5x
Quick ratio	4.8x	5.1x
Gearing ratio	0.01x	—
Debt to equity ratio	Net cash	Net cash
Interest coverage	1,033.3x	1,219.2x
Return on total assets	32.4%	30.3%
Return on equity	38.4%	36.2%
Net profit margin	24.5%	23.1%

For further analysis, please refer to the section headed “Financial Information — Analysis of Key Financial Ratios” of this document.

[REDACTED]

Our estimated expenses in relation to the [REDACTED] primarily consist of legal and professional fees in relation to the [REDACTED], the commissions together with SFC transaction levy and Stock Exchange trading fee. Assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] stated in this document, estimated [REDACTED] in connection with the [REDACTED] are approximately S\$[REDACTED] million, of which approximately S\$[REDACTED] million has been charged to our combined statements of comprehensive income for the year ended 31 December 2016, and approximately S\$[REDACTED] million is expected to be charged to our combined statements of comprehensive income for the year ending 31 December 2017 and approximately S\$[REDACTED] million is expected to be capitalised as deferred expenses and charged against equity upon completion of the [REDACTED] under the relevant accounting standards.

In view of the above, prospective investors should note that the non-recurring expenses in relation to the [REDACTED] will have a material adverse effect on the financial results of our Group for the year ending 31 December 2017. Please also refer to the paragraph headed “Risk Factors — Our financial results for the year ending 31 December 2017 will be affected by certain non-recurring expenses, including the expenses in relation to the [REDACTED]” of this document.

RECENT DEVELOPMENT

We have continued to focus on strengthening our market position for our PV leather upholstery and electronic accessories business in Singapore. As far as we are aware, our industry remained relatively stable after the Track Record Period and up to the Latest Practicable Date. Since 1 January 2017 and up to the Latest Practicable Date, there was no material adverse change in the general economic and market conditions that had affected or would affect our business operations or financial condition materially and adversely.

SUMMARY

NO MATERIAL ADVERSE CHANGE

Save as disclosed above and in the section headed “Financial Information — [REDACTED]” of this document, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 December 2016, being the date to which our latest audited financial statements were prepared and there is no event since 31 December 2016 which would materially affect the information shown in our combined financial statements included in the Accountant’s Report set forth in Appendix I to this document.

[REDACTED] STATISTICS

	<u>Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]</u>	<u>Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]</u>
Market capitalisation at the [REDACTED] (HK\$)	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted combined net tangible assets per Share (HK\$)	[REDACTED]	[REDACTED]

Notes:

- (1) The calculation of market capitalisation is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED].
- (2) The unaudited pro forma net tangible assets per Share includes adjustments referred to in the paragraph headed “Appendix II Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” in this document and on the basis of [REDACTED] Shares in issue at the [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED] immediately following the completion of the [REDACTED] and the [REDACTED].

DIVIDENDS AND DIVIDEND POLICY

For the years ended 31 December 2015 and 2016, our Group declared dividends of S\$1.0 million and S\$2.0 million, respectively, out of the distributable profit and all these dividends had been paid as at the Latest Practicable Date. We expect to further declare and pay a special dividend of not more than S\$4.0 million prior to [REDACTED]. The declaration and payment of future dividends will be subject to the discretion of the Board and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which the Board deems relevant. Dividends declared and paid in the past should not be regarded as an indication of the dividend policy to be adopted by our Company following the [REDACTED]. We do not have any pre-determined dividend payout ratio. Please refer to the section headed “Financial Information — Dividends and Dividend Policy” of this document for further details.

SUMMARY

REGULATORY OVERVIEW

As at the Latest Practicable Date, our business operations are subject to specific legislation or regulatory controls other than those generally applicable to companies and businesses incorporated and/or operating in Singapore, in particular, those in relation to vehicle modification, import and export of goods, workplace safety and health, and the employment of foreign manpower. For further details of above-mentioned legislation and regulations, please refer to the section headed “Regulatory Overview” of this document.

SHAREHOLDERS INFORMATION

Immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme), TOMO Ventures will beneficially own [REDACTED] of the entire issued share capital of our Company. TOMO Ventures is in turn owned as to 51% by Ms. Lee and 49% by Mr. David Siew, the founders of our Group and executive Directors. For the purpose of the GEM Listing Rules, TOMO Ventures, Ms. Lee and Mr. David Siew are our Controlling Shareholders. Mr. David Siew and Ms. Lee are spouses and are parties acting in concert. Please refer to the section headed “History, Reorganisation and Group Structure” of this document for further details.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Controlling Shareholders upon [REDACTED] are Ms. Lee, Mr. David Siew and TOMO Ventures, which is owned as to 51% by Ms. Lee and as to 49% by Mr. David Siew. Immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme), TOMO Ventures will beneficially own [REDACTED] of the entire issued share capital of our Company. As at the Latest Practicable Date, Ms. Lee and Mr. David Siew do not control or conduct any business which competes, or is likely to compete, either directly and indirectly, with our business. For further information, please refer to the section headed “Relationship with Controlling Shareholders” of this document.

FUTURE PLANS AND [REDACTED]

Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the midpoint of the [REDACTED]), the [REDACTED] of the [REDACTED] after deduction of [REDACTED] fees and estimated expenses payable by us in connection with the [REDACTED] upon [REDACTED], are estimated to be approximately HK\$[REDACTED] million. Our Company currently intends to use the [REDACTED] from the [REDACTED] as follows:

- approximately HK\$[REDACTED] million or [REDACTED]% will be used to finance the upgrade and renovation of our current workshop facilities, acquisition of new machinery and acquisition of new premises;
- approximately HK\$[REDACTED] million or [REDACTED]% will be used to finance advertising, branding and marketing activities for expansion of customer base;

SUMMARY

- approximately HK\$[REDACTED] million or [REDACTED]% will be used to explore new products for our electronic accessories business by sourcing new hardware and software products from our existing suppliers and other active suppliers in the market to expand our product offerings;
- approximately HK\$[REDACTED] million or [REDACTED]% will be used to finance the upgrading of our current information technology system to enhance our overall efficiency; and
- approximately HK\$[REDACTED] million or [REDACTED]% will be used as working capital and funding for other general corporate purposes.

Please refer to the section headed “Future Plans and [REDACTED]” of this document for further details.

REASONS FOR [REDACTED] IN HONG KONG

Our Group has been contemplating the growth and expansion of our business and accordingly, a [REDACTED] has been considered. Our Company is applying for [REDACTED] in Hong Kong because it has a high level of internationalisation, maturity in the global financial market, with sufficient institutional capital and funds following the companies listed in Hong Kong. Therefore, our Company believes that listed companies in Hong Kong generally have a high liquidity, good exposure to a broad research coverage and investment community, which would facilitate our future fund raising should such need arise. Our Directors believe that the [REDACTED] would help to raise our Group’s brand awareness and publicity on an international level, making our Company’s services known to new potential customers. In addition, our Directors also believe that customers may prefer to do business with a listed company given its reputation, [REDACTED] status, public financial disclosures and general regulatory supervision by relevant regulatory bodies. Please also refer to “Future Plans and Use of [REDACTED]— Reasons for [REDACTED] in Hong Kong” of the document for further details.

DEFINITIONS

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

“Accountant’s Report”	the Accountant’s report of our Group from the reporting accountant as set out in Appendix I to this document
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“[REDACTED]”	[REDACTED], [REDACTED] and [REDACTED] or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted by our Company on [●] 2017 with effect from the [REDACTED], a summary of which is set out in Appendix III to this document, and as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Authorised Examiner”	an examiner who is authorised by the CWSH
“Board” or “Board of Directors”	our 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
“[REDACTED]”	the allotment and issue of [REDACTED] 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 — Further information about our Company and its subsidiaries — 3. Resolutions in writing of the sole Shareholder passed on [●] 2017” in Appendix IV to this document
“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

DEFINITIONS

“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 operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CL”	Commissioner for Labour of Singapore
“Companies Law” or “Cayman Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961 as consolidated and 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 (WUMP) Ordinance” or “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”	TOMO Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 16 January 2017 and registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on 26 February 2017
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely, Ms. Lee, Mr. David Siew and TOMO Ventures
“CPF”	The Central Provident Fund of Singapore
“Customer Group A”	one of the largest authorised PV distributors and dealers in Singapore and listed on the Singapore Exchange Limited; our largest customer during the Track Record Period

DEFINITIONS

“CWSH”	Commissioner for Workplace Safety and Health of Singapore
“Deed of Indemnity”	the deed of indemnity dated [●] 2017 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the section headed “Other information — 15. Tax and other indemnities” in Appendix IV to this document
“Deed of Non-competition”	the deed of non-competition dated [●] 2017 entered into by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) as further described in the section headed “Relationship with Controlling Shareholders — Non-competition undertaking” in this document
“Director(s)” or “our Director(s)”	the director(s) of our Company
“DNC Register”	Do Not Call Register
“EA”	Employment Act (Chapter 91) of Singapore, as amended, supplemented or otherwise modified from time to time
“EFMA”	Employment of Foreign Manpower Act (Chapter 91A) of Singapore, as amended, supplemented or otherwise modified from time to time
“ERP”	enterprise resource planning
“EU”	the European Union, a political-economic union constituted by 28 European countries
“Factory Notification”	notification submit to the CWSH to occupy or use premises as a factory before the commencement of operation of the factory
“Frost & Sullivan”	Frost & Sullivan International Limited, an industry research consultant and an Independent Third Party
“Frost & Sullivan Report”	the industry report issued by Frost & Sullivan, summary of which are set out in “Industry Overview” in this document
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“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
“[REDACTED]”	[REDACTED]
“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
“HDB”	the Housing and Development Board of Singapore
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“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\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“[REDACTED]”	[REDACTED]
“IA”	the Immigration Act (Chapter 133) of Singapore, as amended, supplemented, or otherwise modified from time to time
“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

DEFINITIONS

“Largest Customer’s SG Subsidiary(ies)”	the Singapore subsidiary(ies) of Customer Group A
“Latest Practicable Date”	5 March 2017, being the latest practicable date for the purpose of ascertaining certain information contained herein prior to its publication
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“LTA”	the Land Transport Authority of Singapore
“LTASA”	Land Transport Authority of Singapore Act, (Chapter 158A) of Singapore, as amended, supplemented or otherwise modified from time to time
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on [●] 2017, as amended from time to time
“MOM”	the Ministry of Manpower of Singapore
“Mr. David Siew”	Mr. Siew Yew Khuen, our chairman, chief executive officer, executive Director and one of our Controlling Shareholders. Mr. David Siew is the husband of Ms. Lee and brother of Mr. Richard Siew
“Mr. Richard Siew”	Mr. Siew Yew Wai, an executive Director, the brother of Mr. David Siew and brother-in-law of Ms. Lee
“Ms. Lee”	Ms. Lee Lai Fong, an executive Director and one of our Controlling Shareholders. Ms. Lee is the wife of Mr. David Siew and sister-in-law of Mr. Richard Siew
“New Shares”	[REDACTED] new Shares being offered by our Company for subscription at the [REDACTED] under the [REDACTED]
“NTA”	the net tangible assets

DEFINITIONS

“[REDACTED]”	the final [REDACTED] per [REDACTED] (excluding brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), which will be not more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED], such price to be determined in the manner further described in “Structure and Conditions of the [REDACTED] — [REDACTED] of the [REDACTED]” in this document
“[REDACTED]”	the [REDACTED] and the [REDACTED]
“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 (No. 26 of 2012) of Singapore, as amended, supplemented or otherwise modified from time to time
“per cent.” or “%”	per cent or percentage
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“PRC” or “China”	the People’s Republic of China which, for the purposes of this document and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the [REDACTED], details of which are set out in the section headed “History, Reorganisation and Group Structure — Reorganisation” in this document
“RIEA”	Regulation of Imports and Exports Act (Chapter 272A) of Singapore, as amended, supplemented or otherwise modified from time to time
“RTA”	Road Traffic Act (Chapter 276) of Singapore, as amended, supplemented or otherwise modified from time to time
“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
“S\$”	Singapore dollar(s), the lawful currency of Singapore

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“[REDACTED]”	the [REDACTED] and the [REDACTED]
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on [●], further details of which are described in the section headed “Statutory and General Information — Further information about directors, management and staff — 14. Share Option Scheme” in Appendix IV to this document
“Shareholder(s)”	holder(s) of the issued Share(s)
“Singapore”	the Republic of Singapore
“Singapore Legal Advisers”	Dentons Rodyk & Davidson LLP, the legal advisers of our Company as to the Singapore law
“Sole Sponsor”	Fortune Financial Capital Limited, the sponsor of our Company for the [REDACTED], a corporation licensed by the SFC to carry on type 6 (advising on corporate finance) regulated activities under the SFO
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“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
“TOMO-CSE”	TOMO-CSE Autotrim Pte Ltd, a company incorporated in Singapore with limited liability on 27 October 1995 and our wholly-owned subsidiary
“TOMO Enterprises”	TOMO Enterprises Limited, a company incorporated in the BVI with limited liability on 26 January 2017 and our wholly-owned subsidiary
“TOMO Ventures”	TOMO Ventures Limited, a company incorporated in the BVI with limited liability on 6 January 2017 and owned as to 51% and 49% by Ms. Lee and Mr. David Siew respectively
“Track Record Period”	the two years ended 31 December 2016

DEFINITIONS

“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“U.S.” or “United States”	the United States of America
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“US\$”	United States dollar, the lawful currency of the United States
“[REDACTED]”	[REDACTED]
“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
“WSH Factories Regulations”	Workplace Safety and Health (Registration of Factories) Regulations 2008 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
“[REDACTED]”	[REDACTED]

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

S\$1.00 : HK\$5.5

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.

Certain amounts and percentage figures included in this document 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 OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document in connection with our Group’s business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“B2B”	business to business
“B2C”	business to consumer
“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 deregister their COEs before the expiry of the 10-year period and will receive monetary rebate. COEs are bid through the COE open bidding system
“electronic accessories business”	the business of supplying and installing passenger vehicle electronic accessories
“leather upholstery business”	the business of supplying and installing passenger vehicle leather upholstery
“PV” or “passenger vehicle”	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 vehicles
“Passenger vehicle interior modification”	the procedures of modifying the functionality, performance or appearance of a passenger vehicle by changing its interior parts. For details, please see “Industry Overview — Overview of Singapore passenger vehicle interior modification market” of this document

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that state our Company’s belief, expectations, or intentions for the future. The words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “ought to”, “may”, “plan”, “potential”, “project”, “seek”, “should”, “will”, “would”, “wish” and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements.

These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

These forward-looking statements reflect the current view of our Company with respect to future events and are, by their nature, subject to significant risks, assumptions and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our operations and business prospects, including development plans for our existing business;
- changes in policies, legislation, regulations or practices in the industry and those countries or territories in which we operate that may affect our business operations;
- our financial condition and results of operations;
- changes in economic conditions and competitions in the area in which we operate, including a downturn in general economy;
- the regulatory environment and industry outlook in general;
- future developments in the competition markets of our industry and actions of our competitors;
- catastrophic losses from fires, floods, wind; and
- other factors beyond our control and other risks and uncertainties described in the section headed “Risk Factors” in this document.

Subject to the requirements of the applicable laws, rules (including the GEM Listing Rules) and regulations, our Group does not intend to update or otherwise revise the forward-looking statements in this document, 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 document might not occur in the way our Group expects, or at all.

Accordingly, you should not place undue reliance on any forward-looking information or statements. All forward-looking statements in this document are qualified by reference to the cautionary statements set forth in this section.

In this document, statements of or references to the intentions of our Company or any of our Directors are made as of the date of this document. Any such intentions may potentially change in light of future developments.

RISK FACTORS

Potential investors should consider carefully all the information set out in this document and, in particular, should evaluate the following risks associated with the investment in our Shares. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

A substantial amount of our revenue is derived from sales to Customer Group A, our largest customer during the Track Record Period, and any decrease or loss of business with any of the Largest Customer’s SG Subsidiaries could materially and adversely affect our business, financial condition and results of operations.

For the years ended 31 December 2015 and 2016, we provided passenger vehicle (“PV”) leather upholstery and electronic accessories to the pre-delivery PV and the after-sales departments of the Singapore subsidiaries of Customer Group A (the “Largest Customer’s SG Subsidiaries”). Customer Group A is one of the largest authorised PV distributors and dealers in Singapore and listed on the Singapore Exchange Limited. Customer Group A belongs to a multinational diversified business group. In Singapore, Customer Group A is primarily engaged in retail, distribution and after-sales of various brands of motor vehicles. See “Business — Customers” for further information on our business relationship with Customer Group A. For the years ended 31 December 2015 and 2016, our aggregate revenue derived from sales to Customer Group A amounted to 79.5% and 78.1%, respectively. Although the percentage of revenue generated from Customer Group A contributed to majority of our revenue during the Track Record Period and we expect to continue to derive a significant amount of our revenue from Customer Group A in the foreseeable future, we continue to diversify our customer base and offer new products. For example, we intend to expand our customer base by establishing long-term relationship with our other customers that are authorised PV distributors and dealers, securing new authorised PV distributors and dealers customers, and expanding our offering of products and services to retail customers, namely, individual PV owners. See “Business — Our Business Strategies” in this document for further information. We will also continue to offer new products to attract additional sales to our customers, including customers other than Customer Group A.

There is no guarantee that we will continue to be able to provide products and services to any of the Largest Customer’s SG Subsidiaries or to continue our business relationship with any of the Largest Customer’s SG Subsidiaries. If we fail to secure further order from any of the Largest Customer’s SG Subsidiaries for any reason, and we are unable to secure contracts from other customers on comparable terms, or increase our sales to other customers, or to implement our strategy, or at all, our business, financial condition and results of operations could be materially and adversely affected.

Our business depends on our reputation, service quality and our customer services. Any failure to maintain our reputation and our customer services may materially and adversely affect our business, financial condition and results of operations.

We believe our reputation, our capabilities and our customer services contributed to our success. For example, we commenced our PV leather upholstery business in 1995 and through the years, we have built our reputation and strong relationship with our customers, including authorised PV distributors and

RISK FACTORS

dealers. Furthermore, we believe our ability to provide quality PV leather upholstery products and services is one of our competitive advantages, which enables us to build our strong relationship with our customers and differentiate us from other players in the industry in Singapore. Also, our mobile teams provide our customers with timely response and customer services, which we believe distinguish us from our competitors.

If we are unable to maintain our reputation, service quality and our customer services, our customers may no longer be willing to procure products and services from us. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We require a stable supply of technicians and foreign workers for our services.

Our installation of PV leather upholstery, PV electronic accessories and our after-sales services require labour from skilled technicians. As at 31 December 2016, we employed a total of 24 technicians and 15 technicians for our PV leather upholstery and electronic accessories installation and after-sales services, respectively, of which, 15 technicians and 13 technicians were foreign workers from Malaysia and the PRC, respectively. We employed technicians from foreign countries during the Track Record Period as there were a limited supply of local technicians in Singapore. In order to provide continuous services to our customers, we require a stable supply of technicians, including foreign workers for our services. There is no guarantee we will be able to attract new entrants willing to learn the skills in becoming a technician or attract skilled technicians to join us in the future. Furthermore, even if we may be able to attract technicians to work for us, our labour costs may substantially increase due to the limited supply of technicians whether in Singapore or from foreign countries. We are also limited by the number of foreign workers that we can employ based on the prevailing Singapore laws and regulations. See “Regulatory Overview — Singapore laws relating to the carrying on of the business of our Group — Employment of Foreign Manpower” in this document for further details.

If we are unable to attract new entrants or skilled technicians to join us, whether from Singapore or from foreign countries, or if our labour costs is substantially increased due to the limited supply of labour, or if there is any change to the Singaporean laws and regulations relating to the number of foreign workers that we can employ, our business, financial conditions and results of operations may be materially and adversely affected.

We depend on our suppliers for the PV leather upholstery and electronic accessories we use in our business operations.

During the Track Record Period, majority of the PV leather upholstery we used were procured directly from our suppliers and we only produced a limited amount of PV leather upholstery at our workshop to utilise our spare capacity when our workshop is not working on the new templates, new designs or special orders from our customers. Furthermore, all of our PV electronic accessories that we used during the Track Record Period were procured from our suppliers as we did not manufacture such PV electronic accessories.

We also typically do not enter into any long-term purchase agreement with our suppliers, which we believe is typical in our industry. We are, therefore, dependent on our suppliers for the leather hides, PV leather upholstery and electronic accessories from our suppliers. In the event that our suppliers cease or limit the supply provided to us, or significantly increase the prices for the products we require, we may

RISK FACTORS

be unable to procure similar or compatible products from alternative suppliers in a timely manner or at comparable prices. As a result, our business, financial conditions and result of operations may be materially and adversely affected.

Our products and services supplied to our authorised PV distributors and dealers customers are subject to changes based on their procurement policies and their preferences.

Our customers for both our PV leather upholstery business and PV electronics accessories business are primarily authorised PV distributors and dealers. For the years ended 31 December 2015 and 2016, the revenue generated from authorised PV distributors and dealers in Singapore amounted to 96.0% and 95.8%, respectively. Each of these customers has their own set of procurement policy, which may change from time to time. If any of our customers changes its procurement policy, or its preference in the PV leather upholstery or electronic accessories, and that we are unable to fulfil the new procurement policy or preferences, we may not be able to continue to supply products and services to this customer. As a result, our business, financial condition and results of operations may be materially and adversely affected as a result.

Our historical financial and operating results may not be indicative of the future price of our Shares.

Our historical results may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. Our revenues, expenses and operating results may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, special events, regulations or actions pertaining to businesses based in Singapore and our ability to control costs and operating expenses. You should not rely on our historical results to predict the future price of our Shares.

Our financial results for the year ending 31 December 2017 will be affected by certain non-recurring expenses, including the expenses in relation to the [REDACTED].

Certain non-recurring expenses, including the [REDACTED], will affect our financial results for the year ending 31 December 2017. We currently only have an estimate of our [REDACTED]. We expect that our total [REDACTED] will amount to approximately S\$[REDACTED] million, of which approximately S\$[REDACTED] million is expected to be charged to our combined statements of comprehensive income for the year ending 31 December 2017. The actual amount to be reported on the financial statements of our Group for the year ending 31 December 2017 is subject to changes in variables and assumptions. As such, the actual expenses may exceed the estimated amount and will have an adverse impact on our financial results for the year ending 31 December 2017.

We rely on a single market in developing our business and our business in Singapore may not contribute to our results in the manner we anticipate.

During the Track Record Period, we generated all of our revenue from our operations in Singapore. We anticipate that our business in Singapore will continue to be our core business following the completion of the [REDACTED]. If Singapore experiences any adverse economic conditions due to events beyond our control, such as limitation on COE availability, downturn in the sales of new passenger vehicle, general economic downturn, natural disasters, contagious disease outbreaks or

RISK FACTORS

terrorist attacks, or if the local authorities adopt regulations or policies that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected. In addition, we have limited experience in operating businesses in other places, and may have difficulties in relocating our business to other geographic markets. Therefore, if there is any deterioration in the economic, political and regulatory environment in Singapore, our business may be materially and adversely affected.

We maintain limited insurance coverage.

We maintain various insurance policies, such as public liability insurance, fire insurance, work injury compensation insurance and product liability that we believe are customary for our size and type of business, and in line with standard commercial practice in Singapore. See “Business — Insurance” in this document for more information. However, our insurance coverage is still limited in terms of amount, scope and benefit. Consequently, we are exposed to various risks associated with our business and operations. We are exposed to risks including, but not limited to, accidents or injuries in our workshop or at our customers’ vehicle preparation centres beyond the scope of our insurance coverage, or other accidents for which we do not currently maintain insurance, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. Any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or other events beyond our control could result in substantial costs and the diversion of our resources. Our business, financial condition and results of operations may be materially and adversely affected as a result.

We may not be able to execute our growth strategies or manage our growth effectively.

Our future success depends, to a large extent, on our ability to implement our future plans. We intend to, among other things, continue to grow our business and expand our product offerings, upgrade our information and technology system to enhance our overall efficiency, and expand our customer base by strengthening our sales and marketing efforts. See “Business — Our Business Strategies” in this document for further details.

The implementation of our future plans will require capital investments, significant amount of managerial and technical resources, efforts and timely execution of the future plans, and is subject to the following risks and uncertainties:

- accurately estimate the expected demand of new PV and demand from our customers for our products and services;
- accurately estimate the expected demand of our products and services from retail segment;
- successfully expand our customer base to attract new authorised PV distributors and dealers customers, and retail customers;
- secure sufficient and stable quality supplies of leather hides, PV leather upholstery and electronic accessories from our suppliers;
- hire, train and retain skilled management, technicians and other employees on commercially acceptable terms; and

RISK FACTORS

- successfully market our new retail segment business and compete with existing players.

Any of the above or similar risks or uncertainties could significantly delay or otherwise restrict our ability to implement our future plans, which could in turn adversely affect our ability to continue to improve our business prospects and profitability.

Our future success depends on the members of our senior management and our business may be harmed if we lose their services or they are not able to successfully manage our growing operations.

Our future success depends on the ability of our executive Directors and members of our senior management working together and successfully implement our growth strategy while maintaining the strength of our reputation and capabilities. Our future success also depends heavily upon the continuing services and performance of our executive Directors and members of our senior management. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain our business operations and meet our planned expansion requirements. If our executive Directors and members of the senior management fail to work together successfully, or if one or more of them is unable to effectively implement our business strategy, we may be unable to grow our business at the speed or in the manner in which we expect. We may not be able to retain the services of any of them or attract and retain high-quality senior executives or key personnel in the future. If one or more of our executive Directors and members of our senior management are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our results of operations may be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

Volatility in COE prices and availability and other factor affecting PV ownership and usage in Singapore may adversely affect demand for new passenger vehicles and our profitability.

Demand in our products and services, including PV leather upholstery and PV accessories, is substantially linked to the demand for new passenger vehicle in Singapore, which is cyclical in nature and is affected by various factors. In Singapore, before a new passenger vehicle can be registered, the potential vehicle owner must bid for a COE and the availability of COE is governed by the Vehicle Quota System, which will be valid for an initial period of ten years. See “Industry Overview — Overview of Singapore Passenger Vehicle Market — New Registration of Passenger Vehicle” in this document for further details.

Furthermore, we believe other factors affecting PV ownership and usage in Singapore may affect the demand for new passenger vehicles, including global and regional economic and market conditions, sales and financing incentives, cost of fuel, environmental concerns and government laws and regulations such as tariffs, import regulation and other taxes.

As the demand of our products and services are reliant on the demand of new passenger vehicles, any changes to the above factors any decrease the demand of new passenger vehicles in Singapore, which may in turn materially and adversely affect our liquidity, results of operations, financial condition and prospects.

RISK FACTORS

We may suffer from competition in and risk related to PV electronic accessories industry in Singapore.

Our ability in offering products and services in PV electronic accessories depends on our ability to stay current with the PV electronic accessories industry in Singapore. We believe our ability to secure our orders with our customers depend largely on our technological and installation expertise and know-how, our customers services and our PV electronic accessories product range. However, based on our operating experience, if certain PV accessories become mainstream, it may be more economical for the authorised PV distributors and dealers to directly include such car accessories as options with the new passenger vehicles instead of using our services. As such, we have to continuously scout for new PV accessories to offer our customers.

Furthermore, customers’ demands for high-end PV accessories in Singapore are sophisticated. As we do not manufacture any of the PV electronic accessories that we offer nor own any of the underlying intellectual properties of such PV electronic accessories, we rely on our suppliers for the PV electronic accessories and we face competition from other products and service providers in Singapore. If we cannot procure new PV electronic accessories that suit our customers’ taste and preference, or if our competitors offer the same or better PV electronic accessories products and services, our results of operations, financial condition and prospects may be materially and adversely affected.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and there can be no assurance that an active market would develop.

Prior to the [REDACTED], there has been no public market for our Shares. The initial [REDACTED] of the [REDACTED] was the result of negotiations among us and the [REDACTED] (for themselves and on behalf of the [REDACTED]) and the [REDACTED] may differ significantly from the market price for our Shares following the [REDACTED]. While we have applied for [REDACTED] of and permission to deal in our Shares on the Stock Exchange, there is no assurance that the [REDACTED] will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

The liquidity, trading volume and market price of our Shares following the [REDACTED] may be volatile.

The price at which our Shares will trade after the [REDACTED] will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts’ estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;

RISK FACTORS

- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- new investments, acquisitions or alliances in the future;
- addition or departure of our key personnel;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- actions taken by our competitors;
- general market sentiment regarding the PV interior modification industry in Singapore;
- changes in laws and regulations in Singapore;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in Singapore and worldwide.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

Because the [REDACTED] per [REDACTED] is higher than the net tangible book value per Share, purchasers of our [REDACTED]s in the [REDACTED] will experience immediate dilution.

The [REDACTED] of our [REDACTED] is higher than the net tangible book value per Share immediately prior to the [REDACTED]. Therefore, subscribers of our [REDACTED] in the [REDACTED] will experience an immediate dilution in pro forma adjusted net tangible assets value and existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per share of their shares. See “Financial Information — Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” in this document for details. If we issue additional Shares in the future, subscribers of our [REDACTED] may experience further dilution.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

Sales of substantial amounts of Shares in the public market after the completion of the [REDACTED], or the perception that these sales could occur, could adversely affect the market price of our Shares. There will be [REDACTED] issued Shares immediately following the [REDACTED] (assuming that none of the options that may be granted under the Share Option Scheme is exercised). Our Controlling Shareholders agreed that any Shares held by them will be subject to a lock-up after the

RISK FACTORS

[REDACTED]. See “[REDACTED] — [REDACTED] Arrangements and Expenses — Undertakings pursuant to the [REDACTED] — Undertakings by our Controlling Shareholders” and “[REDACTED] — Undertakings in favour of the Stock Exchange under the GEM Listing Rules — Undertakings by our Controlling Shareholders” in this document for more information. However, such Shares will be freely tradable after the expiry of the relevant lock-up period. Shares which are not subject to a lock-up arrangement represent 25.0% of the total issued share capital immediately following the [REDACTED] and will be freely tradable immediately following the [REDACTED] assuming that none of the options that may be granted under the Share Option Scheme is exercised).

The interest of our Controlling Shareholders may differ from your interests and they may exercise their vote to the disadvantage of our minority Shareholders.

Immediately after the completion of the [REDACTED] and the [REDACTED] (without taking into account of our Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will own 75.0% of our Shares. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased Shares in the [REDACTED]. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The [REDACTED] of our [REDACTED]s is expected to be determined on the [REDACTED]. However, our Shares will not commence trading on the Stock Exchange until the [REDACTED] if the [REDACTED] will become unconditional, which is expected to be five business days after the [REDACTED]. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins

Prior dividend distributions are not an indication of our future dividend policy.

For the years ended 31 December 2015 and 2016, we declared and distributed dividends amounted to an aggregate of S\$3.0 million to our shareholders. We expect to further declare and pay a special dividend of not more than S\$4.0 million prior to [REDACTED]. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association, including the approvals from our Shareholders and our Directors, if required. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries. As a result of the above, we cannot

RISK FACTORS

assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends. For further details of the dividend policy of our Company, see “Financial Information — Dividends and Dividend Policy” in this document.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favourable return to our Shareholders. We plan to use the [REDACTED] from the [REDACTED], including to acquire, renovate and fit out new facilities, to acquire new machineries, and to upgrade our management information system. See “Future Plans and [REDACTED] — [REDACTED]” in this document for more information. However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [REDACTED] from the [REDACTED].

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 the Memorandum and the Articles 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 precedent 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.

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

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from the Frost & Sullivan Report contained in this document.

Certain facts and statistics in this document, including but not limited to information and statistics relating to the PV interior modification industry in Singapore, are based on the Frost & Sullivan Report or are derived from various publicly available information, announcements, annual reports and other publications, which our Directors believe to be reliable.

We cannot, however, guarantee the quality or reliability of such facts and statistics. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Frost & Sullivan Report, they have not been independently verified by us, the Sole Sponsor, the [REDACTED], [REDACTED], the [REDACTED] or any other party involved in the [REDACTED] and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information compiled by other sources and prospective investors should not place undue reliance on any facts and statistics derived from public sources or the Frost & Sullivan Report contained in this document.

RISK FACTORS

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would”, “wish” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set out in this section. Subject to the requirements of the GEM Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this document to the public, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

There may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Company. By applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [REDACTED].

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE. THE INFORMATION IN THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Siew Yew Khuen (蕭耀權)	7 Siglap Road #20-64 Singapore 448909	Singaporean
Ms. Lee Lai Fong (李麗芳)	7 Siglap Road #20-64 Singapore 448909	Singaporean
Mr. Siew Yew Wai (蕭耀威)	30 Dover Rise #09-08 Singapore 138687	Singaporean
<i>Independent non-executive Directors</i>		
Mr. Clarence Tan Kum Wah (陳錦華)	19 Oxley Road #10-01 Singapore 238619	Singaporean
Mr. Gary Chan Ka Leung (陳嘉樑)	Flat B, 16/F Gardenview Heights 19 Tai Hang Drive Tai Hang, Hong Kong	Canadian
Mr. Lim Cher Hong (林芝鋒)	Blk 217 Serangoon Avenue 4 #10-164 Singapore 550217	Singaporean

Please refer to the section headed “Directors, Senior Management and Employees” in this document for further information on our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

Fortune Financial Capital Limited

A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
35/F., Office Tower Convention Plaza
No. 1 Harbour Road
Wanchai, Hong Kong

**[REDACTED] and
[REDACTED]**

[●]

[REDACTED]

[●]

[REDACTED]

[●]

Legal advisers to our Company

As to Hong Kong law:

Robertsons

57th Floor, The Center
99 Queen’s Road Central
Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to Singapore law:

Dentons Rodyk & Davidson LLP

80 Raffles Place
#33-00 UOB Plaza 1
Singapore 048624

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

**Legal advisers to the Sole Sponsor
and the [REDACTED]**

As to Hong Kong law:
[REDACTED]

Reporting accountant

PricewaterhouseCoopers
Certified Public Accountants
22/F., Prince’s Building
Central
Hong Kong

Compliance adviser

Fortune Financial Capital Limited
35/F., Office Tower Convention Plaza
No. 1 Harbour Road
Wanchai, Hong Kong

Independent industry consultant

Frost & Sullivan International Limited
1706, One Exchange Square
8 Connaught Place
Central, Hong Kong

CORPORATE INFORMATION

Headquarter and principal place of business in Singapore	Block 3018 Bedok North Street 5 #02-08 Eastlink Singapore 486132
Principal place of business in Hong Kong	57/F, The Center 99 Queen’s Road Central Hong Kong
Registered office in the Cayman Islands	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Company’s website	<u>www.thetomogroup.com</u> <i>(Note: The contents in the website of our Company do not form part of this document)</i>
Company secretary	Mr. Man Yun Wah, <i>HKICS</i> Rooms 2105–06, 21/F Office Tower Langham Place 8 Argyle Street Mongkok, Kowloon Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Siew Yew Khuen 7 Siglap Road #20-64 Singapore 448909 Mr. Man Yun Wah, <i>HKICS</i> Rooms 2105–06, 21/F Office Tower Langham Place 8 Argyle Street Mongkok, Kowloon Hong Kong
Compliance officer	Ms. Lee Lai Fong 7 Siglap Road #20-64 Singapore 448909
Audit committee	Mr. Gary Chan Ka Leung (<i>Chairman</i>) Mr. Clarence Tan Kum Wah Mr. Lim Cher Hong

CORPORATE INFORMATION

Nomination committee	Mr. Clarence Tan Kum Wah (<i>Chairman</i>) Mr. Siew Yew Wai Mr. Gary Chan Ka Leung
Remuneration committee	Mr. Lim Cher Hong (<i>Chairman</i>) Ms. Lee Lai Fong Mr. Siew Yew Khuen
Corporate Governance committee	Ms. Lee Lai Fong (<i>Chairlady</i>) Mr. Siew Yew Khuen Mr. Siew Yew Wai
Principal [REDACTED] and [REDACTED]	[REDACTED]
Hong Kong branch [REDACTED] and [REDACTED]	[REDACTED]
Principal banker	DBS Bank Limited 12 Marina Boulevard, Level 43 DBS Asia Central Marina Bay Financial Centre Tower 3 Singapore 018982

INDUSTRY OVERVIEW

The information that appears in this section has been prepared by Frost & Sullivan and reflects the estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in the Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading.

The information prepared by Frost & Sullivan and set out in this section has not been independently verified by our Group, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED] and neither they nor Frost & Sullivan give any representations as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

Our Group had commissioned Frost & Sullivan to provide industry information on Singapore passenger vehicle interior modification market. Our Group had agreed to pay a fee of HK\$400,000 to Frost & Sullivan for the report. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report.

In compiling and preparing the research report, Frost & Sullivan conducted primary research including interviews with industry experts and participants and secondary research which involved reviewing the statistics published by the Singapore government, International Trade Centre, industry publications, annual reports and data based on its own database. Frost & Sullivan presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Frost & Sullivan assumed that (i) the social, economic and political environment is expected to remain stable; and (ii) key industry drivers are likely to continue to affect the market over the forecast period from 2017 to 2021. On this basis, our Directors are satisfied that the disclosure of future projections and industry data in this section is not biased or misleading.

Our Directors confirm that, after making reasonable enquiries, there is no adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict, or have an impact on the information in this Section.

Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training. Its industry coverage includes industrial and machinery, automotive and transportation, chemicals, material and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics and technology, media and telecom. The Frost & Sullivan Report includes information on data of the passenger vehicle interior modification market in Singapore.

INDUSTRY OVERVIEW

OVERVIEW OF MACRO-ECONOMY IN SINGAPORE

Nominal GDP and Per Capita Nominal GDP

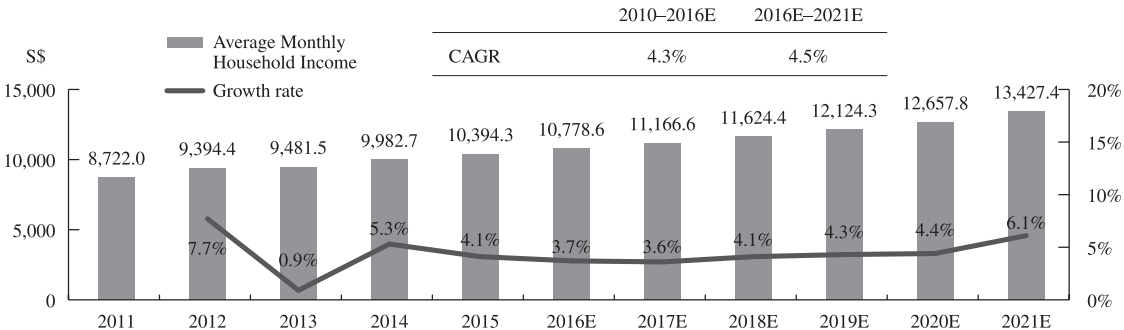
Driven mainly by the development of domestic manufacturing and service sector, nominal GDP in Singapore witnessed a stable growth from S\$346.4 billion in 2011 to S\$413.9 billion in 2016, representing a CAGR of 3.6% during this period. It is estimated that nominal GDP in Singapore will increase from S\$413.9 billion in 2016 to S\$496.1 billion in 2021, representing a CAGR of 3.7%.

Per capita nominal GDP in Singapore increased from S\$66,816.0 in 2011 to S\$74,131.4 in 2016, representing a CAGR of 2.1%. Going forward, it is expected to grow at a CAGR of 2.9% from 2016 to 2021 and reach S\$85,509.8 in 2021.

Average Monthly Household Income

The average monthly household income in Singapore increased from S\$8,722.0 in 2011 to S\$10,778.6 in 2016, representing a CAGR of 4.3%. With stable growth of economy in Singapore, income earned by each household in Singapore per month is expected to further grow to S\$13,427.4 in 2021, representing a CAGR of 4.5% from 2016 to 2021.

Average Monthly Household Income in Singapore, 2011–2021E



Source: Department of Statistics Singapore, Frost & Sullivan

OVERVIEW OF SINGAPORE PASSENGER VEHICLE MARKET

Definition and Classification of Passenger Vehicle Market

A passenger vehicle is a wheeled road motor vehicle except for motorcycle, intended primarily for the carriage of passengers. Vehicles such as buses and trucks are commercial vehicles, which do not fall into the category of passenger vehicles.

Introduction of COE System in Singapore

A COE represents a right to vehicle ownership and use of the limited road space for ten years. Anyone who wishes to register a new vehicle in Singapore must firstly obtain a COE in the appropriate vehicle category. At the end of the ten-year COE period, vehicle owners may choose to deregister their vehicle or to revalidate their COEs for another five or ten-year period by paying the prevailing quota premium. Vehicle owners are also allowed to deregister their COEs before the expiry of the ten-year period and will receive money rebate. COEs are bid through the COE open bidding system. There

INDUSTRY OVERVIEW

are two COE open bidding exercises each month and typically run as follows: starting on the first Monday and third Monday of the month at 12pm and, ending two days later on Wednesday at 4pm. 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 largely influences the COE quota.

The Singapore government aims to keep the total number of registered passenger vehicle at a relatively stable volume to meet the needs of transportation and also to prevent the problems of overcrowded traffic and air pollution by controlling the number of COE quota released. 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 three months before the last month. All passenger cars including mass production cars, luxury cars and ultra-luxury cars all fall in category A and category B in Singapore.

COE Quota and Bidding Result in Singapore, 2011–2016

	Vehicle Category	Category A Cars (≤1600 cc) & Taxis	Category B Cars >1600 cc
2011	Quota	13,026	9,665
	Successful bids	12,708	9,574
2012	Quota	12,909	8,451
	Successful bids	12,538	8,395
2013	Quota	8,534	8,230
	Successful bids	8,455	8,042
2014	Quota	12,230	11,205
	Successful bids	12,127	11,076
2015	Quota	32,867	21,578
	Successful bids	32,628	21,479
2016	Quota	48,734	31,361
	Successful bids	48,180	31,055

Source: LTA, Frost & Sullivan

Introduction of Passenger Vehicle Distributors and Dealers in Singapore

Passenger vehicle distributors and dealers in Singapore sell new or used passenger vehicles at the retail level. New passenger vehicles are all imported from overseas, and based on the varying business models, passenger vehicle distributors and dealers can be classified into:

- Authorised passenger vehicle distributors and dealers sign dealership contracts with specific passenger vehicle manufacturers or their sales subsidiaries. Some authorised distributors and dealers sell single brand passenger vehicles. However, there are also multi-brand authorised passenger vehicle distributors and dealers that sell passenger vehicles and dealers from different manufacturers.
- Independent passenger vehicle distributors and dealers, also known as parallel importers, sell passenger vehicles imported from another country without signing dealership contracts with manufacturers. Independent passenger vehicle distributors and dealers do not obtain authorisation from the passenger vehicle manufacturers.

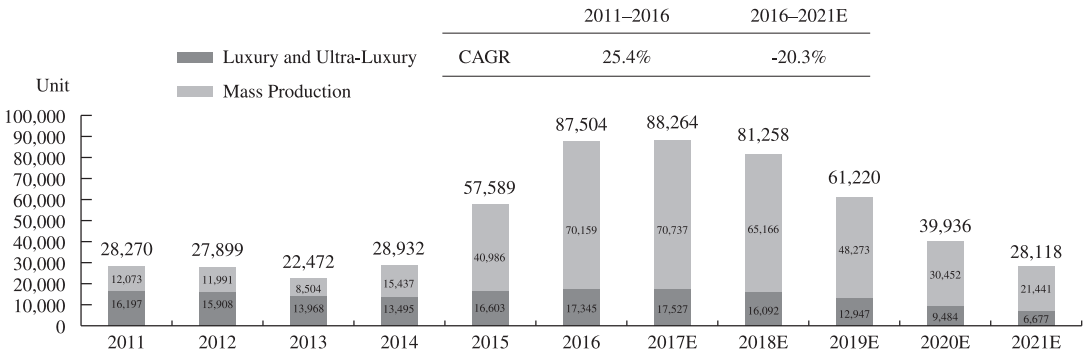
INDUSTRY OVERVIEW

New Registration of Passenger Vehicle

To alleviate traffic condition, Singapore government has been controlling the total number of vehicles in use by limiting the COE quota. From 2011 to 2013, the COE quota decreased due to the decreasing number of deregistered passenger vehicles in Singapore, and the price of COE kept increasing, resulting in a decreasing number of newly registered vehicles. From 2014 to 2016, the number of both deregistered and newly registered vehicles in Singapore experienced an upward trend. In 2016, the number of newly registered passenger vehicles increased sharply to 87,504 units from 57,589 units in 2015, representing a growth rate of approximately 51.9% due to the large number of passenger vehicles reaching the ten-year usage limitation.

Going forward, as the number of passenger vehicles about to reach the ten-year usage limitation will remain high in 2017 and 2018, it is expected that, the COE quota will also remain at a high level as people will replace deregistered vehicles, and thus it is projected that the number of newly registered passenger vehicles in Singapore will remain high and reach 88,264 units and 81,258 units respectively in 2017 and 2018. Due to the cyclical nature of the market, a period of decline is expected after 2019 because of the shrinking number of vehicles reaching the ten-year COE period.

Total Number of Newly Registered Passenger Vehicles in Singapore, 2011–2021E



Source: LTA, Frost & Sullivan

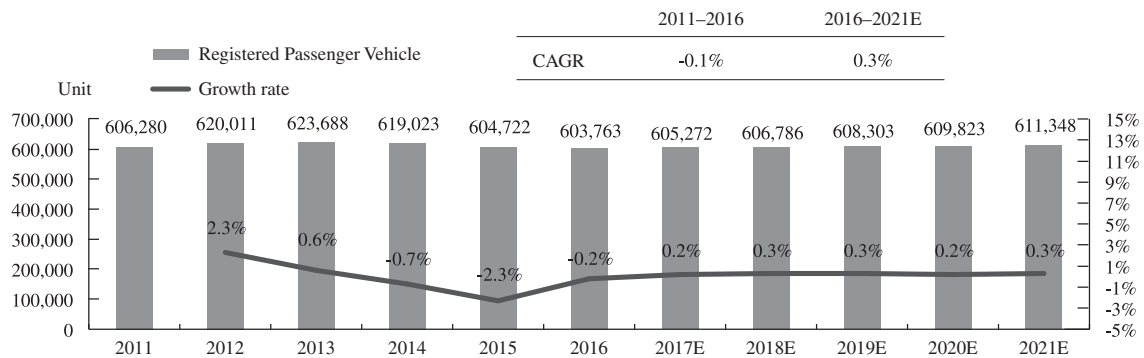
Total Number of Registered Passenger Vehicle

With the continuous growth of population and nominal GDP in Singapore, the demand for passenger vehicles remained stable. The total number of registered passenger vehicle grew from 606,280 units in 2011 to 623,688 units in 2013. However, from 2014 to 2016, the total number of registered passenger vehicles experienced slight decrease because a large number of old vehicles reached the 10-year usage limitation and were scrapped.

Due to the continuous increase in the COE quota and number of newly registered passenger vehicle since 2015, as well as the expected decreasing number of deregistered passenger vehicles after 2017, the total number of registered passenger vehicle is expected to stop the downward trend and begin to increase in 2017. From 2016 to 2021, it is expected to gradually increase from 603,763 units to 611,348 units in 2021, representing a CAGR of 0.3%.

INDUSTRY OVERVIEW

Total Number of Registered Passenger Vehicles in Singapore, 2011–2021E



Source: LTA, Frost & Sullivan

OVERVIEW OF SINGAPORE PASSENGER VEHICLE INTERIOR MODIFICATION MARKET

Definition of Passenger Vehicle Interior Modification Market

Passenger vehicle interior modification refers to the procedures of modifying the functionality, performance or appearance of a passenger vehicle by changing its interior parts. Modified passenger vehicles may differ from the original in many areas, including cabin decoration and electronic accessories.

- Cabin decoration modification refers to alterations of vehicle interior appearance. Items that are usually modified by passenger vehicle owners are car seats, interior ceiling, mats, etc.
- Electronic accessories modification refers to the process of modifying passenger vehicles' functionality and performance through changes on vehicle electronic interior accessories. Common accessories are navigation system, reverse camera and reverse sensor, digital video recorders, multi-media entertainment system, etc.

New passenger vehicles with standardised configuration are usually equipped with basic specification interiors that may not fit users' aesthetics. Owners of used passenger vehicles also choose to modify the interiors for replacement of faulted or dated parts, or to upgrade the performance or safety. Interior modifications for passenger vehicles mainly focus on cabin decoration and electronic accessories.

Industry Value Chain

Upstream suppliers provide raw materials and components such as leather and electronic components.

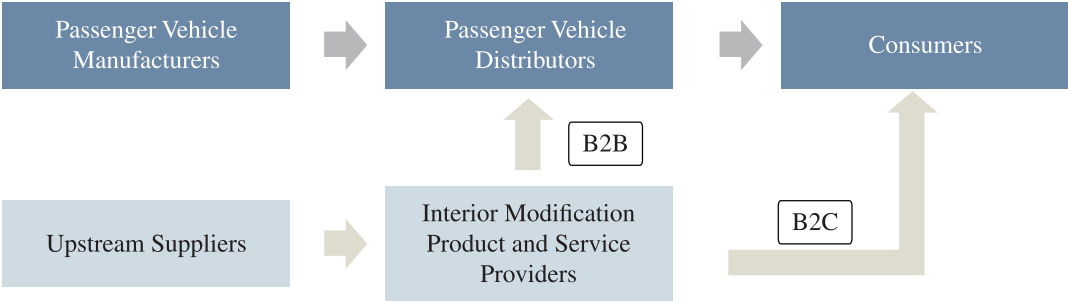
Passenger vehicle interior modification product and service providers purchase raw materials and components from upstream suppliers and process or assemble them into products that can be applied to modify the interiors of passenger vehicles. Modification services providers also provide modification services such as installation, adjustment, tuning and after-sales services.

Passenger vehicle interior modification product and service providers operate on two different business models: on B2B model, they sign contracts with passenger vehicles distributors and dealers and act as approved vendors. When consumers purchase vehicles and need interior modifications, distributors and dealers source products and services from those providers. Authorised distributors and dealers select interior modification vendors very carefully by assessing the sales proposals and quotations received; on B2C model interior modification product and service providers make sales directly to end consumers.

It is common in Singapore that such providers rely on one or several large passenger vehicle distributors and dealers and remain profitable. The reason is that large new passenger vehicle distributors and dealers are usually authorised by multiple passenger vehicle manufacturers, and they are

INDUSTRY OVERVIEW

retailing several brands in Singapore. Hence, their customer base covers significant amount of passenger vehicle drivers domestically. Wearnes Automotive, Jardine Cycle & Carriage, and Eurokars are the examples of large distributors that are authorised to retail multiple passenger vehicle brands.



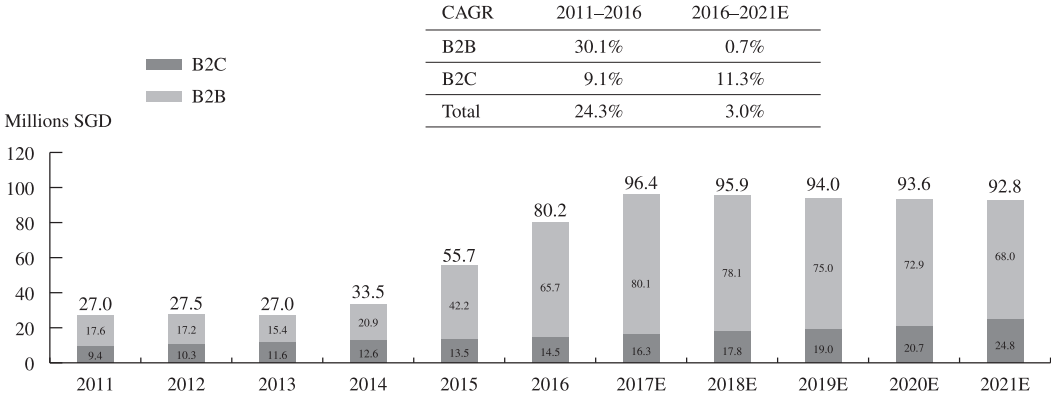
Source: Frost & Sullivan

Market Size of Passenger Vehicle Interior Modification Market

Influenced by the limited COE quota during the period from 2011 to 2013, the number of passenger vehicles sold during this period decreases, which resulted in the slight decrease in the market size of B2B interior modification services. From 2014, with reliefs on COE limitation and increase in new passenger vehicle sales, the B2B interior modification market witnessed a recovery in 2014 and a surge in 2015. In 2016, the market size of B2B interior modification products and services reached S\$65.7 million, representing a CAGR of 30.1% from 2011 to 2016. With stable increase in the total number of passenger vehicles in the country, B2C interior modification market increased from S\$9.4 million in 2011 to S\$14.5 million in 2016, representing a CAGR of 9.1%.

Going forward, driven by the increasing number of passenger vehicles as well as the growing variety of interior modification products and services, the market of passenger vehicle interior modification is expected with further growth in both B2B and B2C businesses. The entire Singapore market is expected to increase from S\$80.2 million in 2016 to S\$92.8 million in 2021, representing a CAGR of 3.0% (with 0.7% and 11.3% for B2B and B2C market respectively).

Market Size of Passenger Vehicle Interior Modification Industry in Singapore, 2011–2021E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Key Market Trends

Wide Acceptance in the Market

Due to the rising general income level, passenger vehicle interior modification becomes more affordable by the general public, and the concept of luxury has been extended in the passenger vehicle interiors for not only luxury and ultra-luxury passenger vehicles but also applied in mass brand vehicles. As the passenger vehicle interior modification has been introduced to the Singapore market for years, and the penetration rate of interior modification service for luxury passenger vehicles has been increasing, it is expected that the momentum will continue to pick up in forecast years. With the change of taste by the passenger vehicle owners over time, the general public would tend to have their passenger vehicle modified with customised interiors, equipped with top quality materials and upscale accessories like leather seats and premium electronic accessories.

High Technology

Together with the advancement in digital technology, digital products such as communication equipment, surveillance system and interactive navigation system are widely applied in the market nowadays. The rise of popularity in those products has a great impact on the passenger vehicles design, both interior or exterior, functional or non-functional, and it leads to the increase of many innovative interior modification designs in the market. In the future, it is expected that the technology of passenger vehicle interiors would continue to advance and further contribute the increased popularity of electronic accessories in the market.

Safety

Rising standard of road safety and increasing safety awareness, different advanced technologies or materials have been deployed in passenger vehicle interior modification market to ensure the safety of driver as well as pedestrians in a comprehensive dimension. To address the safety concern, government required passenger vehicle manufacturers to provide better protective passenger vehicle interiors such as head protection. It also brings a large demand for electronic safety accessories including blind-spot detection systems and collision avoidance systems, etc. On the other hand, new but high performance modification materials, regarding road safety, are being launched in the market recently. For instance, high absorbing power foam has been widely used in interior passenger vehicle parts such as door panels, which could significantly decrease the death rate even in catastrophic accidents.

Energy Saving

In line with the global trend of increasing awareness in energy saving, passenger vehicle market emerged from conventional heavy manufacturing business to energy saving green business. Every 100kg reduction of weight makes approximately 0.3 litres less for each 100km driving distance. To consume less fuel during combustion, manufacturers are investing capital into research and development, and one of the most efficient ways to reduce the consumption of fuel is to reduce passenger vehicle weight through changes of passenger vehicle interior modification.

Key Market Drivers

Customisation on Passenger Vehicle Interiors is Popular

With the increase in demand for passenger vehicle parts such as seat covers, steering wheel covers, digitalised rearview mirror and car surveillance system, etc., passenger vehicle interior modification is almost a necessity to end users after purchasing passenger vehicles. The demand for customisation is

INDUSTRY OVERVIEW

rising due to the more sophisticated requirement of end users, and the escalating income level allows passenger vehicle owners to furnish their vehicle interiors and turn them into tailor made ones based on their driving habits and personal preferences.

High Standard of In-car Accessories Give Rise to Passenger Vehicle Interior Modification

There is a wide range of choices of in-car accessories and cockpit electronics, and it basically gives rise to the passenger vehicle interior modification market because large number of accessories require assembling process, which is usually done in vehicle workshops. For instance, the introduction of interactive navigation system has increased the ease of driving and safety in vehicles. Also, electronics used in passenger vehicles could provide high quality infotainment. With the convergence of driving safety and enhanced infotainment, passenger vehicle owners who opt for a better driving experience would certainly tend to have higher demand for interior modification especially in the luxury passenger vehicle market, where the passenger vehicle owners most likely are with higher affordability to have their vehicles undergo further interior modification.

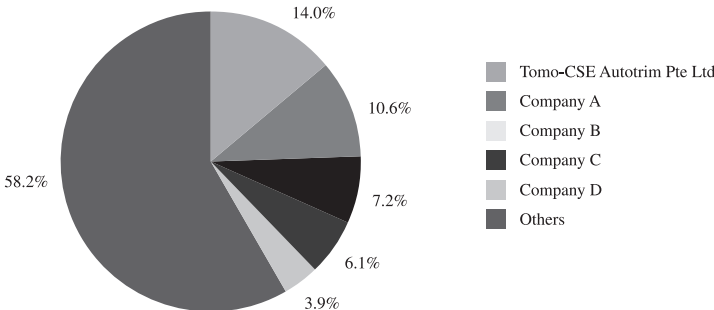
Used Car Market Fuels the Passenger Vehicle Interior Modification Demand

In Singapore, the demand for passenger vehicle interior modification from passenger vehicle dealers is essentially contributed by new passenger vehicles and used passenger vehicles. However, due to the expensive but limited COE quota, end users in Singapore tend to purchase used vehicles ranging from six to nine years old, and opt to wait for the de-registration in the following years. According to LTA, the annual sales of new and used passenger vehicles in 2016 are 80,527 units and 104,478 units, respectively, illustrating the fact that focused segment of passenger vehicle market in the country is the sales market of used vehicles, approximately 30% more than the number of new passenger vehicle in the same year. Before every used passenger vehicle goes on the road again, it is necessary to perform refurbishment and interior modification to ensure the functionality, and cater for the demand of new buyers. The surging demand for interior modification in used vehicle market is surely one of the key drivers to boost the market.

Competitive Landscape of Singapore Passenger Vehicle Interior Modification Market

The market of passenger vehicle interior modification in Singapore is comparatively fragmented with top five players accounting for approximately 41.8% of market share in 2015.

Market Share of Leading PV Interior Modification Service Providers in Singapore by Sales Revenue, 2015

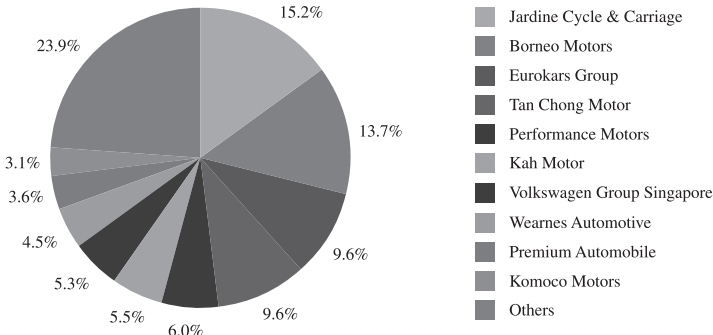


Source: Frost & Sullivan

In 2015, the combined market share of top 10 authorised passenger vehicle distributors and dealers in Singapore reached 76.4%. Jardine Cycle & Carriage ranked first with market share of 15.2%, followed by Borneo Motors and Eurokars Group with market shares of 13.7% and 9.6% respectively.

INDUSTRY OVERVIEW

Market Share of Top 10 Authorised Passenger Vehicle Distributors and dealers by Sales Volume of New Passenger Vehicle, 2015



Source: Frost & Sullivan

In Singapore, the majority of authorised passenger vehicle distributors and dealers do not have independent leather seat providers. The reason is that car brands usually have high requirements on the quality of leather seats and related services, and therefore they possess their own sources for leather seats and installation services.

Some authorised passenger vehicle distributors and dealers are allowed to work with local leather seat suppliers after careful consideration and selection. They usually express their needs to several leather seat providers, and ask them to present sales proposals and quotations. It is known as the B2B business model. Currently, there are only two leather seat providers that have contracts with authorised passenger vehicle distributors and dealers.

Most leather seats providers in Singapore are operating on B2C model where they make sales directly to individual passenger vehicle owners. During the warranty period, owners usually have their vehicles modified through their distributors and dealers. When the warranty expires, they can choose to acquire new leather seats from the distributors or independent interior modification workshops.

Ranking of Major Providers of Passenger Vehicle Leather Upholstery in Singapore

<u>Company</u>	<u>Year of Establishment and Headquarter</u>	<u>Customer Type</u>	<u>Revenue in 2015</u>	<u>Ranking</u>
TOMO-CSE	1995, Singapore	Authorised passenger vehicle distributors and dealers	S\$3.57 million	1
Company A	1993, Singapore	Contractual vehicle distributors and dealers, non-contractual distributors and dealers and end consumers	S\$2.88 million	2
Company E	2007, Singapore	Car owners	S\$0.87 million	3
Company F	1996, Singapore	Car owners	S\$0.79 million	4
Company G	2011, Singapore	Car owners	S\$0.71 million	5

Source: Frost & Sullivan

INDUSTRY OVERVIEW

For other passenger vehicle electronic accessories, there are several companies providing such products and installation services for interior usage in Singapore. Some of them are acting as original equipment manufacturers (OEMs) for car brands. Usually, electronic accessories providers also engage in B2C business where they sell technology products and installation services directly to passenger vehicle owners.

Ranking of Major Providers of Passenger Vehicle Electronic Accessories in Singapore

<u>Company</u>	<u>Year of Establishment and Headquarter</u>	<u>Main Products</u>	<u>Revenue in 2015</u>	<u>Ranking</u>
TOMO-CSE	1995, Singapore	Navigation system, reverse camera and sensor, digital video recorder, etc.	S\$7.90 million	1
Company B	2006, Singapore	Navigation system; multi-media system; entertainment system; reverse camera; reverse sensors	S\$5.87 million	2
Company A	1993, Singapore	Display stands and other passenger vehicle accessories	S\$5.81 million	3
Company C	Singapore	Navigation system; multi-media system; entertainment system; reverse camera;	S\$5.00 million	4
Company D	2008, Singapore	Navigation system; multi-media system; entertainment system; reverse camera; reverse sensors	S\$3.21 million	5

Source: Frost & Sullivan

Major Market Entry Barriers

Limited Skilled Technical Manpower

To provide high quality interior modification services, employing skilled technicians with in-depth industry expertise is key for service providers. In Singapore, the shortage of skilled technicians remains continuously a large obstacle to enter the industry. Recruitment of skilled local technicians who can provide interior modification services in a timely manner remains a primary difficulty for those overseas companies and small local start-ups who want to enter the passenger vehicle interior modification market in Singapore.

High Capital Investment

Passenger vehicle interior modification is a capital intensive industry because huge sum of capital will be required for initial stage of project or sometimes before being engaged. To ensure the condition and function of the raw materials using in the modification service, the service providers would prefer to run laboratory tests and functionality tests before production starts.

INDUSTRY OVERVIEW

Business Connection

As there is no domestic vehicle manufacturer in Singapore, all passenger vehicles are imported from foreign countries. To be the modification service providers in Singapore, one has to be with good connection with car dealers because of the limited marketing activity they could do which could prohibit their market reach to different car dealers or car brands. In addition, having stable and sustainable supply of passenger vehicle accessories and parts could enable service providers to constantly offer seamless modification service to car owners. Generally, it is a common practice for companies to stock up inventories in case of emergency use.

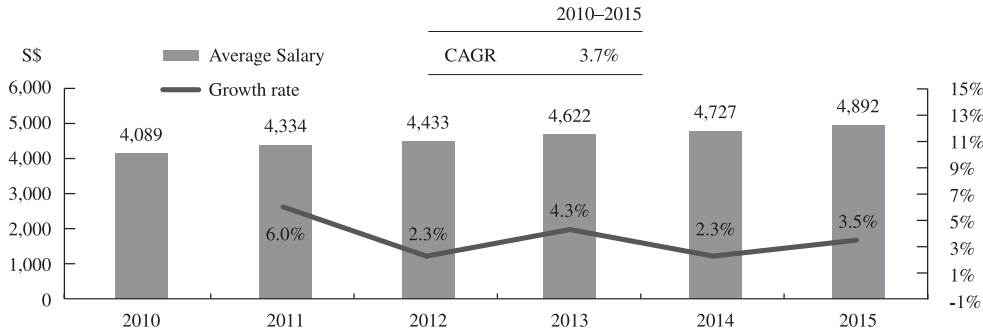
Complex Consumer Demand

The existing high demands for high-end passenger vehicle accessories and electronic accessories in Singapore give rise to the sophisticated consumer demand in passenger vehicle interior modification market due to the fact that most of the in-car items require proper installation. Companies with insufficient industry expertise and servicing capacity will face difficulties in entering the market. Leading service providers with integrated value chain, good network with car dealers, and large serving capacity are able to provide services catered for consumers’ ever-changing demands by providing them with the latest high-end accessories, and modifying vehicle interior with the latest cutting-edge technology

Labour Cost in Singapore

In 2010, the monthly average salary for an employee in Singapore was around S\$4,089. With the impact of inflation and people’s improving living standards, employees’ salaries witnessed an increase over the past five years. In 2015, monthly average salary reached S\$4,892, representing a CAGR of 3.7% from 2010 to 2015.

Monthly Average Salary of Employees in All Industries of Singapore, 2010–2015



Source: Department of Statistics Singapore, Frost & Sullivan

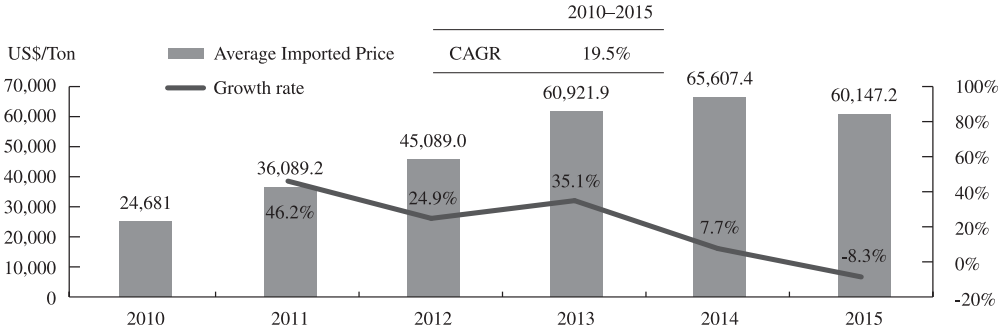
Price of Major Raw Materials

In Singapore, interior modifications that are applied to passenger vehicles are mainly on seats and electronic accessories with specialised functions. The raw materials for passenger vehicle interior modifications are i) imported leather that is used for making leather seats, mats, and other decorating covers, ii) electronic accessories for vehicle usage, and iii) domestic skilled labour force, which are essentially important in interior modification.

Leather imported from overseas into Singapore was valued at US\$24,681.1 per tonne in 2010. Influenced by the increasingly limited global supply of raw hides and skins, the price of leather increased to US\$60,147.2 per tonne in 2015, representing a CAGR of 19.5% from 2010 to 2015.

INDUSTRY OVERVIEW

Average Price of Leather Imported by Singapore, 2010–2015

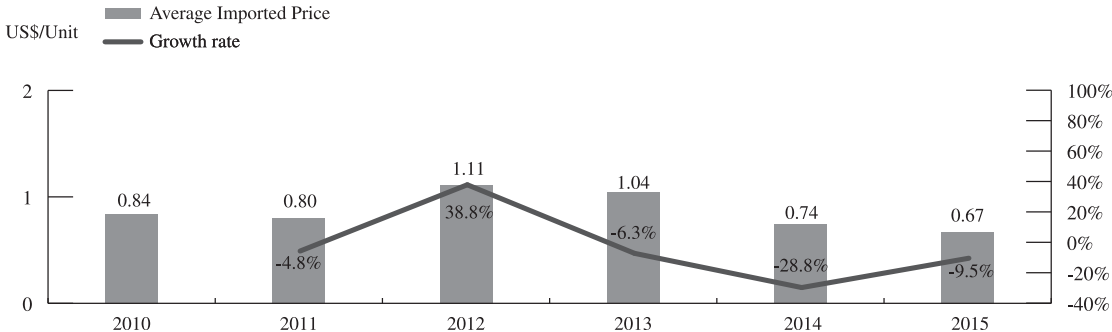


Source: International Trade Centre, Frost & Sullivan

For electronic accessories of passenger vehicles, integrated circuits and plastic (mainly refers to ABS plastic) are the major raw materials. As most of the integrated circuits and ABS plastic in Singapore are imported from overseas countries, the imported prices of such materials therefore effectively indicate the costs of passenger vehicle electronic accessories.

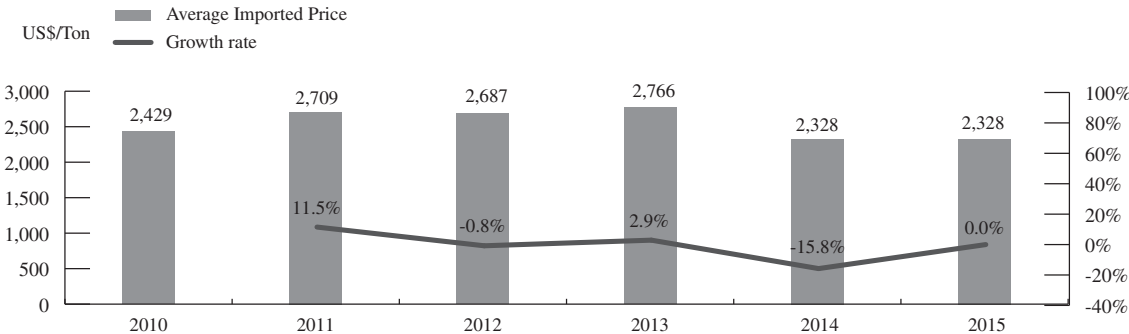
The average imported prices of integrated circuits and ABS plastic both experienced fluctuations during 2010 to 2015 and both decreased in US\$ when comparing the figures in 2015 to those in 2010. More specifically, the average imported price of integrated circuits decreased from US\$0.84 per unit to US\$0.67 per unit, which was mainly influenced by the increasing supply of integrated circuits in the globe. For ABS plastic, the average imported price decreased from US\$2,429 per tonne in 2010 to US\$2,328 per tonne in 2015.

Average Price of Integrated Circuits Imported by Singapore, 2010–2015



Source: International Trade Centre, Frost & Sullivan

Average Price of ABS Plastic Imported by Singapore, 2010–2015



Source: International Trade Centre, Frost & Sullivan

REGULATORY OVERVIEW

Save for the laws and regulations that are material or specific to our business as disclosed below, as at the Latest Practicable Date, our business is not subject to any particular laws or regulations of Singapore other than those generally applicable to companies incorporated and/or operating in Singapore.

VEHICLE MODIFICATIONS

Under Section 6 of the 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. In addition, under Section 140 of the RTA, the appropriate minister may make rules for, among others, any purpose for which rules may be made under the RTA and generally for the purpose of carrying out the RTA into effect.

Rules that have been made pursuant to Sections 6 and 140 of the RTA include the Road Traffic (Motor Vehicles, Construction and Use) Rules, the Road Traffic (Motor Vehicles, Lighting) Rules and the Road Traffic (Motor Vehicles, Seat Belts) Rules which stipulate, among 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 so 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 Section 5(6) of the RTA shall be liable on conviction to a fine not exceeding S\$2,000 or to imprisonment for a term not exceeding three months and, in the case of a second or subsequent conviction, to a fine not exceeding S\$5,000 or to imprisonment for a term not exceeding six months.

As at the Latest Practicable Date, under guidelines issued by the LTA, there are three categories of modifications: (a) modifications that are allowed without seeking the approval of the LTA, (b) modifications that require the approval of the LTA, and (c) modifications that are not allowed. Examples of each category are set out below:

Modifications that are allowed without seeking the approval of the LTA

- (i) bumpers;
- (ii) car seats;
- (iii) fog lamps;
- (iv) fuel additives;
- (v) fuel molecule polarisers;
- (vi) gear knobs;
- (vii) in-vehicle entertainment systems; and

REGULATORY OVERVIEW

(viii) in-vehicle information and communication systems (Navigation system).

Modifications that require the approval of the LTA

Modifications that require the approval of LTA include but are not limited to:

- (i) engines;
- (ii) exhaust system;
- (iii) hoods or canopies;
- (iv) seating arrangements;
- (v) sunroofs;
- (vi) superchargers and turbochargers; and
- (vii) transmissions or gearboxes.

Modifications that are not allowed

- (i) air horns;
- (ii) automatic headlamp switch-on function on motorcycles;
- (iii) chain guards;
- (iv) chassis;
- (v) crash bars;
- (vi) daytime-running lamps;
- (vii) decorative lamps;
- (viii) engine capacity;
- (ix) head lamps;
- (x) nitrous injection devices;
- (xi) spot lamps;
- (xii) tinting or masking of vehicle lamps; and
- (xiii) towhooks.

REGULATORY OVERVIEW

REGULATION OF IMPORTS AND EXPORTS ACT

The RIEA provides for the regulation, registration and control of imports into, exports out of and transshipments in or in transit through Singapore, of goods through requirements of permits. The RIEA is administered by the Director-General of Customs appointed under section 4(1) of the Customs Act (Chapter 70) of Singapore. TOMO-CSE engages freight forwarders to undertake the import of its products into Singapore, and these freight forwarders make the necessary permit applications for its imports on a transactional basis.

WORKPLACE SAFETY AND HEALTH ACT

The WSHA provides that 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 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 the employees are at work and ensuring that the employees at work have adequate instruction, information, training and supervision as is necessary for the employees to perform their work. More specific duties imposed by the relevant regulatory body, MOM, on employers are laid out in the WSHR.

Any person who breaches his duty shall be guilty of an offence and shall be liable on conviction, in the case of a body corporate, to a fine not exceeding S\$500,000 and if the contravention continues after the conviction, the body corporate shall be guilty of a further offence and shall be liable to a fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction. For repeat offenders, where a person has on at least one (1) previous occasion been convicted of an offence under the WSHA that causes the death of any person and is subsequently convicted of the same offence that causes the death of another person, the court may, in addition to any imprisonment if prescribed, punish the person, in the case of a body corporate, with a fine not exceeding S\$1 million and, in the case of a continuing offence, with a further fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction.

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

- (i) 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 the persons at work;
- (ii) any person has contravened any duty imposed by the WSHA; or
- (iii) 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.

REGULATORY OVERVIEW

The remedial order shall direct the person served with the order to take such measures, to the satisfaction of the CWSH, to, among others, remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work, whilst the stop-work order shall direct the person served with the order to immediately cease to carry on any work or process 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 or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

The Workplace Health and Safety Council has approved codes of practices for the purpose of providing practical guidance with respect to the requirements of the WSHA relating to safety, health and welfare at work.

In addition to the above, under the WSHA, inspectors appointed by the CWSH may, among others, enter a workplace to make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with, to take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, to assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and to take into custody any article in a workplace which is required for the purpose of an investigation or inquiry.

EMPLOYMENT ACT

The EA covers employees who are under a contract of service with an employer and includes, among others, a workman (as defined under the EA). However, the EA generally does not cover persons who are employed in a managerial or executive position and are in receipt of salaries exceeding S\$4,500 a month. The EA is administered by the MOM and sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees who are covered under the EA.

In particular, Part IV of the EA sets out requirements for rest days, hours of work and other conditions of service for workmen who receive salaries not exceeding S\$4,500 a month and employees (other than workmen) who receive salaries not exceeding S\$2,500 a month. Section 38(8) of the EA provides that an employee is not allowed to work for more than 12 hours in any one day except in specified circumstances, such as where the work is essential to the life of the community, defence or security. In addition, Section 38(5) of the EA limits the extent of overtime work that an employee can perform to 72 hours a month.

Employers must seek the prior approval of the CL for exemption if they require an employee or class of employees to work for more than 12 hours a day or more than 72 overtime hours a month. The CL may, after considering the operational needs of the employer and the health and safety of the employee or class of employees, by order in writing, exempt such 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 employees are employed.

An employer who breaches the above provisions 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.

REGULATORY OVERVIEW

To the best of our Directors’ knowledge, TOMO-CSE has complied with the requirements of the EA.

EMPLOYMENT OF FOREIGN MANPOWER

The employment of foreign employees in Singapore is governed by the EFMA and regulated by the MOM as well as the government’s policies and regulations on the immigration and employment of foreign workers in Singapore. The policies and regulations are set out in, among others, the EFMA and the relevant government gazettes.

In Singapore, under Section 5(1) of the EFMA, no person shall employ a foreign employee unless he has obtained in respect of the foreign employee a valid work pass from the Controller of Work Passes, which allows the foreign employee to work for him. Any person who fails to comply with or contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall:

- (a) be liable on conviction to a fine of not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and
- (b) on a second or subsequent conviction:
 - (i) in the case of an individual, with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one month and not more than 12 months; or
 - (ii) in any other case, be punished with a fine of not less than S\$20,000 and not more than S\$60,000.

The availability of the foreign workers for manufacturing companies is also regulated by MOM through the following policy instruments:

- (a) approved source countries;
- (b) the imposition of security bonds and levies; and
- (c) dependency ceilings based on the ratio of local to foreign workers.

An employer of foreign workers is also subject to, among others, the provisions set out in the EA, the EFMA, the IA and the regulations issued pursuant to the IA.

As at the Latest Practicable Date, the approved source countries for workers in the manufacturing industry are Malaysia, PRC, Hong Kong, Macau, South Korea and Taiwan.

As at the Latest Practicable Date, 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 the 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 security bond.

REGULATORY OVERVIEW

The employment of foreign workers is also subject to the payment of levies. For the manufacturing sector, employers pay the requisite levy according to the quota and qualification of the foreign workers employed. As at the Latest Practicable Date, the quota and levy rate for the manufacturing sector are as follows:

<u>Quota</u>	<u>Basic skilled (monthly)</u>	<u>Basic skilled (daily)</u>	<u>Higher skilled (monthly)</u>	<u>Higher skilled (daily)</u>
Basic Tier/Tier 1:				
Up to 25% of the total workforce	S\$370	S\$12.17	S\$250	S\$8.22
Tier 2:				
Above 25% to 50% of the total workforce	S\$470	S\$15.46	S\$350	S\$11.51
Tier 3:				
Above 50% to 60% of the total workforce	S\$650	S\$21.37	S\$550	S\$18.09

In relation to the employment of semi-skilled or unskilled foreign workers, employers must ensure that such persons apply for a “work permit”.

As at the Latest Practicable Date, TOMO-CSE had 29 foreign employees, all of which are holders of a work permit.

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

- (i) 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;
- (ii) provide safe working conditions;
- (iii) provide acceptable accommodation consistent with any written law, directive, guideline, circular or other instrument issued by any competent authority; and
- (iv) provide and maintain medical insurance for inpatient care and day surgery, with coverage of at least S\$15,000 per every 12-month period.

WORK INJURY COMPENSATION ACT

The WICA, regulated by the MOM, applies to all employees (with the exception of those set out in the Fourth Schedule of the WICA) who have entered into or works under a contract of service or apprenticeship with an employer, in respect of personal injury suffered by them arising out of and in the course of their employment and sets out, among other things, the amount of compensation that they are entitled to and the method(s) of calculating such compensation.

REGULATORY OVERVIEW

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, his employer shall be liable to pay compensation in accordance with the provisions of the WICA. The amount of compensation shall be computed in accordance with a fixed formula as set out in the Third Schedule of the WICA, subject to a maximum and minimum limit.

WORKPLACE SAFETY AND HEALTH (REGISTRATION OF FACTORIES) REGULATIONS 2008

Any person who desires to occupy or use any premises as a factory not falling within any of the classes of factories described in the First Schedule of the Workplace Safety and Health (Registration of Factories) Regulations 2008 (the “**WSH Factories Regulations**”) is required, among others, to submit a notification (“**Factory Notification**”) to the CWSH of his intention to occupy or use those premises as such a factory, before the commencement of operation of the factory. The Factory Notification shall be:

- (a) submitted to the CWSH in such form and manner as the CWSH may require; and
- (b) be accompanied by such particulars, information, statements and documents as the CWSH may require.

Any person who contravenes the requirement to submit a Factory Notification shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000.

The above duty to notify the CWSH shall apply whether the aforementioned person is the first person to occupy or use the premises as such a factory or is taking over the occupation or use of those premises as such a factory from another person.

The occupier of the factory in respect of which a Factory Notification has been submitted shall:

- (a) where any change takes place in any of the particulars of the factory which have been notified to the CWSH, furnish particulars of change to the CWSH, not later than 14 days of the change taking place; and
- (b) notify the CWSH if he intends to cease his occupation or use of the factory, not less than 14 days before so ceasing,

in such form and manner as the CWSH may require. Any person in contravention of the foregoing shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$2,000.

In addition, the occupier of a factory in respect of which a Factory Notification has been submitted shall where any change is to be made to the type of work carried out in the factory, inform the CWSH of the proposed change in writing and provide the CWSH with the relevant documents pertaining to the change and such other information as the CWSH may require, not less than one month before the change is made. Any person who contravenes the foregoing shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$3,000.

REGULATORY OVERVIEW

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. TOMO-CSE is required to pay monthly to the CPF in respect of each employee, who is a citizen or permanent resident of Singapore, contributions at the contribution rates prescribed under the Central Provident Fund Act (Chapter 36) of Singapore.

PERSONAL DATA PROTECTION ACT

The PDPA establishes data protection law 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, TOMO-CSE is required to inform the individual of:

- (i) the purposes for the collection, use or disclosure of the personal data;
- (ii) any other purpose of the use or disclosure of the personal data of which the individual has not been informed previously; and
- (iii) on request by the individual, the business contact information of a person who is able to answer on behalf of the organisation the individual’s questions about the collection, use or disclosure of the personal data.

Under the PDPA, TOMO-CSE 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 or any other written law. An individual is deemed to consent to the collection, use or disclosure of personal data for a purpose if the individual voluntarily provides the personal information to TOMO-CSE for the same purpose and it is reasonable that the individual would do so. If an individual consents or is deemed to have given 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. TOMO-CSE 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 for TOMO-CSE to provide the individual with, as soon as reasonably possible, personal data about the individual that is in TOMO-CSE’s 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 TOMO-CSE within a year before the date of the request. The individual may also request that TOMO-CSE corrects an error or omission in the personal data about the individual that is in TOMO-CSE’s possession or control. Unless TOMO-CSE is satisfied on reasonable grounds that a correction should not be made, TOMO-CSE is 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 TOMO-CSE 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.

REGULATORY OVERVIEW

An individual may, on giving TOMO-CSE 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, TOMO-CSE shall cease collecting, using or disclosing the personal data unless authorised under the PDPA or other written law. TOMO-CSE 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 it is reasonable to assume that 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 DNC Register. A subscriber to a Singapore telephone number may apply to the Personal Data Protection Commission to add or remove that telephone number from the DNC Register. Under the PDPA, TOMO-CSE shall not send any specified messages addressed to the Singapore telephone number in the DNC Register unless TOMO-CSE has applied to confirm and have received confirmation from the Personal Data Protection Commission that the Singapore telephone is not listed in the DNC Register. Specified messages are messages where, having regard to, among others, 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.

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.

HISTORY, REORGANISATION AND GROUP STRUCTURE

HISTORY AND DEVELOPMENT OF OUR GROUP

Business History

Our founders, Mr. David Siew and Ms. Lee anticipated the growing demand for the supply and installation of PV leather upholstery and electronic accessories and incorporated our Group’s principal operating subsidiary, TOMO-CSE, in 1995 to carry out the leather upholstery business and the electronics accessories business.

Our Group operated out of a workshop of approximately 115 sq.m. which was leased from an Independent Third Party and had two vans for sending our technicians and PV leather upholstery and/or PV accessories to our customers’ workshops or vehicle preparation centres for installation. Within a year from incorporation of TOMO-CSE, our Group started to supply and install passenger vehicle leather upholstery and electronic accessories to Customer Group A.

In 2003, to accommodate the growth of our Group’s leather upholstery business and electronic accessories business, we purchased and moved into a workshop of approximately 573 sq.m. Our Group’s mobile van fleet had also increased from initially two vans to six vans in 2003, in order to cope with the increasing number of orders secured by our Group.

In 2011, in line with our Group’s strategic direction to provide the latest passenger vehicle electronic accessories in the market, our Group set up our Product Testing and Quality Control Department to identify and evaluate the latest in-demand PV accessories in the market. After identifying and shortlisting such products, our Product Testing and Quality Control Department subjects each shortlisted product to stringent in-house testing in order to ensure the quality of our product offering. Furthermore, our Group actively and continuously secures the distribution rights to the latest quality vehicle accessories products.

As at the Latest Practicable Date, our Group supplies and installs passenger vehicle leather upholstery and a wide range of PV electronic accessories, such as digital video recorders, interactive multimedia systems, navigation systems, parking sensors and cameras, to a number of the authorised PV distributors and dealers in Singapore. According to the Frost & Sullivan Report, we were the leading PV interior modification service provider in Singapore in 2015 in terms of sales revenue, with a market share of 14.0%. We also ranked first in both the PV leather upholstery and electronic accessories segments in Singapore by sales revenue in 2015.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Key milestones of our Group

The following table sets forth the major milestones of our Group’s development.

Year	Milestones
1995	Establishment of TOMO-CSE. TOMO-CSE commenced to supply and install PV leather upholstery and accessories to Customer Group A, our largest customer during the Track Record Period.
2003	TOMO-CSE acquired its current premises.
2011	TOMO-CSE was awarded the 2011 Successful Entrepreneur — “Platinum” award. TOMO-CSE set up its Product Testing and Quality Control Department to evaluate and identify the latest in-demand passenger vehicle electronic accessories in the market.
2013	TOMO-CSE successfully registered its “Eurostyle” logo.
2016	TOMO-CSE obtained the ISO 9001:2008 certification.
2017	TOMO-CSE expanded its mobile van fleet to eight vans.

CORPORATE HISTORY

As at the Latest Practicable Date, our Group comprised our Company, TOMO Enterprises and TOMO-CSE. The following is a brief corporate history of the establishment and major changes in the shareholdings of our Company and our subsidiaries during the Track Record Period.

Our Company

For the purposes of the [REDACTED], our Company was incorporated on 16 January 2017 in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares. Upon its incorporation, one nil-paid Share was allotted and issued to the nominee of Codan Trust Company (Cayman) Limited. On the same day, the said one Share was transferred to TOMO Ventures at nil consideration. As a result, our Company became a wholly-owned subsidiary of TOMO Ventures.

On [●], the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 comprising 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares which rank *pari passu* in all respects with the existing Shares. For details of changes in the share capital of our Group, please refer to the section headed “Statutory and General Information — Further Information about our Company and its Subsidiaries — 2. Changes in authorised and issued share capital of our Company” in Appendix IV to this document.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 26 February 2017.

As a result of the Reorganisation, our Company has become the ultimate holding company of our Group. For further details of such transfers, please refer to the paragraph headed “Reorganisation” in this section.

TOMO Enterprises Limited

On 26 January 2017, TOMO Enterprises was incorporated in the BVI with limited liability. TOMO Enterprises is authorised to issue a maximum of 50,000 shares of a single class of US\$1.00 par value each, of which one share of US\$1.00 was allotted and issued to our Company for cash and at par. As a result, TOMO Enterprises became a wholly-owned subsidiary of our Company.

TOMO Enterprises is an investment holding company and the intermediate holding company of TOMO-CSE.

TOMO-CSE Autotrim Pte Ltd

On 27 October 1995, TOMO-CSE was incorporated in Singapore as a private company limited by shares and was principally engaged in the businesses of supply and installation of PV leather upholstery and electronic accessories.

On incorporation, TOMO-CSE had an issued and paid up share capital of S\$100 comprising 100 ordinary shares of S\$1.00 each. On 28 December 1995, TOMO-CSE increased its issued and paid up share capital from S\$100 comprising 100 shares to S\$30,000 comprising 30,000 shares. On 6 November 1999, TOMO-CSE increased its issued and paid up share capital from S\$30,000 comprising 30,000 shares to S\$100,000 comprising 100,000 shares. On 12 December 2001, TOMO-CSE increased its issued and paid up share capital from S\$100,000 comprising 100,000 shares to S\$200,000 comprising 200,000 shares.

As at the Latest Practicable Date, TOMO-CSE has an issued and paid up share capital of S\$200,000 comprising 200,000 shares.

The history of the changes in the share capital and shareholdings of TOMO-CSE is set out below:

On 27 October 1995, Mr. David Siew and Ms. Lee were respectively allotted and issued 70 shares and 30 shares in the capital of TOMO-CSE, credited as fully paid, upon incorporation at the subscription price of S\$70 and S\$30 respectively.

On 28 December 1995, Mr. David Siew and Ms. Lee were respectively allotted and issued 20,930 and 8,970 shares in the capital of TOMO-CSE, credited as fully paid, at the subscription price of S\$20,930 and S\$8,970 respectively.

On 2 June 1997, 6,300 shares in the capital of TOMO-CSE were transferred from Mr. David Siew to Ms. Lee for a consideration of S\$6,300, which was fully satisfied in cash. The said transfer had been legally completed and settled. As a result of said transfer, TOMO-CSE was owned as to 51% by Ms. Lee and 49% by Mr. David Siew, respectively.

HISTORY, REORGANISATION AND GROUP STRUCTURE

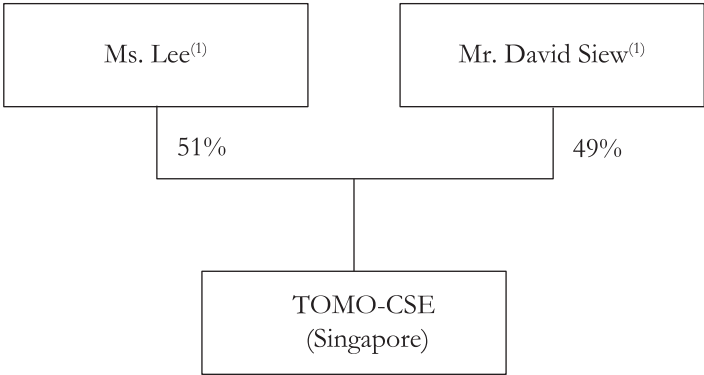
On 6 November 1999, Mr. David Siew and Ms. Lee were respectively allotted and issued 34,300 and 35,700 shares in the capital of TOMO-CSE, credited as fully paid, at the subscription price of S\$34,300 and S\$35,700, respectively.

On 12 December 2001, Mr. David Siew and Ms. Lee were respectively allotted and issued 49,000 and 51,000 shares in the capital of TOMO-CSE, credited as fully paid, at the subscription price of S\$49,000 and S\$51,000, respectively.

On [●], as part of the Reorganisation, the entire issued share capital of TOMO-CSE was transferred from Ms. Lee and Mr. David Siew to our nominee, TOMO Enterprises, in consideration of (i) our Company allotting and issuing 99 Shares to TOMO Ventures, being the nominee of Ms. Lee and Mr. David Siew, credited as fully paid; and (ii) the initial Share held by TOMO Ventures credited as fully paid.

REORGANISATION

Immediately before the Reorganisation



Note:

(1) Ms Lee is the spouse of Mr. David Siew and they are parties acting in concert.

In preparation for the [REDACTED], our Group has undergone the Reorganisation and the steps are as follows:

- (i) On 6 January 2017, TOMO Ventures was incorporated in the BVI and on the same day, 51 and 49 shares in TOMO Ventures were allotted and issued to Ms. Lee and Mr. David Siew, respectively, for cash at US\$1.00 per share.
- (ii) On 16 January 2017, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares. On the date of its incorporation, one nil-paid Share was allotted and issued to the nominee of Codan Trust Company (Cayman) Limited, and was subsequently transferred to TOMO Ventures on the same date.
- (iii) On 26 January 2017, TOMO Enterprises was incorporated in the BVI and on the same day, one share of US\$1.00 was allotted and issued to our Company for cash at par.

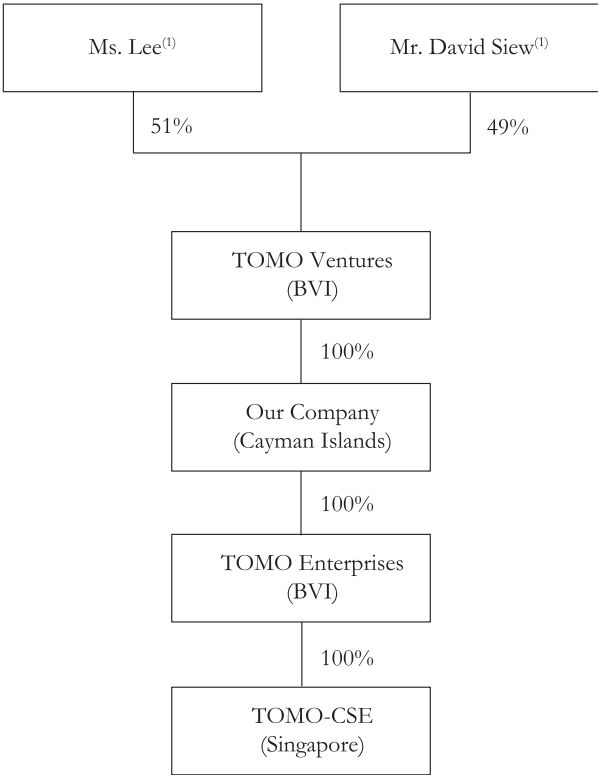
HISTORY, REORGANISATION AND GROUP STRUCTURE

- (iv) On [●], pursuant to the sale and purchase agreement dated [●] entered into among Ms. Lee, Mr. David Siew and our Company for the transfer of the entire issued share capital of TOMO-CSE from Ms. Lee and Mr. David Siew to our nominee, TOMO Enterprises, in consideration of (i) our Company allotting and issuing 99 Shares to TOMO Ventures, being the nominee of Ms. Lee and Mr. David Siew, credited as fully paid; and (ii) the initial Share held by TOMO Ventures credited as fully paid.

GROUP STRUCTURE

The following charts illustrate our corporate structure immediately after the Reorganisation (but before the [REDACTED] and the [REDACTED] and without taking into account of any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme) and immediately following completion of the [REDACTED] and the [REDACTED] (but taking no account of any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme):

Immediately after the Reorganisation (but before the [REDACTED] and the [REDACTED] and without taking into account of any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme)

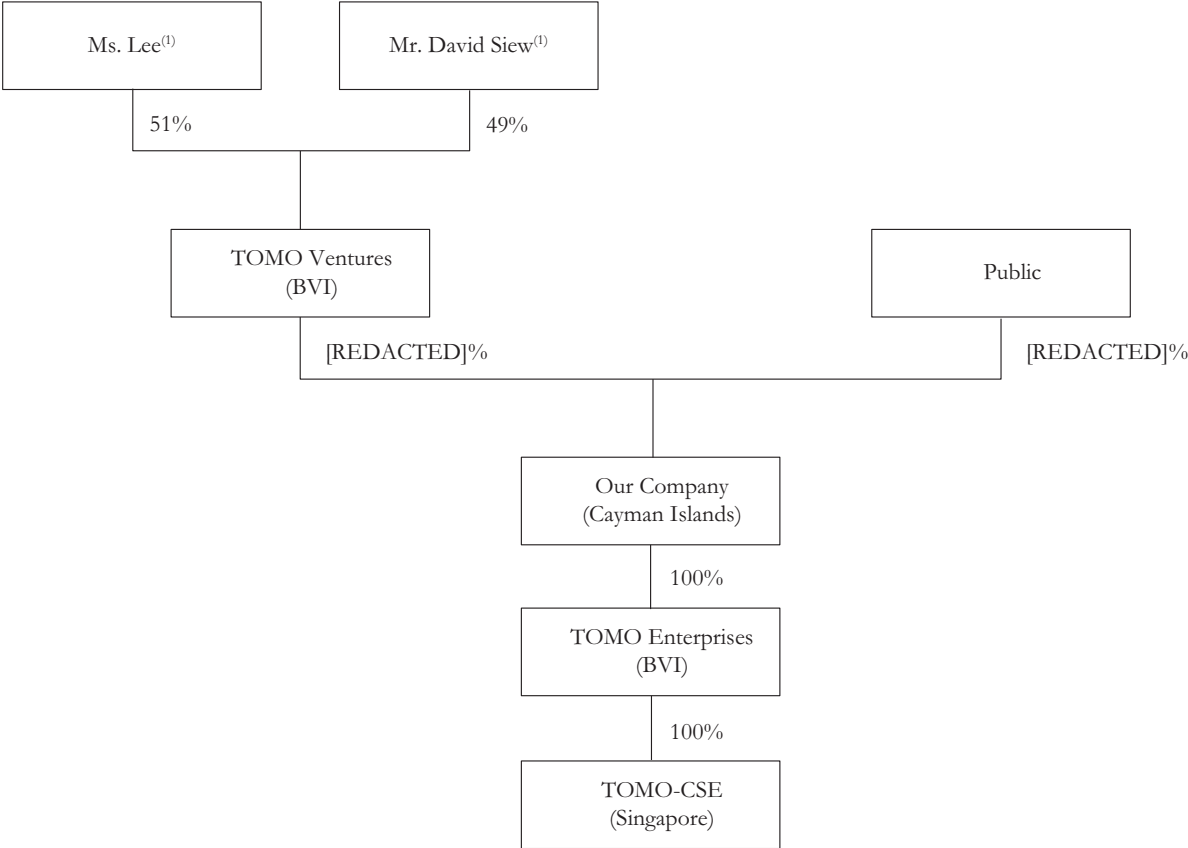


Note:

(1) Ms Lee is the spouse of Mr. David Siew and they are parties acting in concert.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Immediately following completion of the [REDACTED] and the [REDACTED] (but taking no account of any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme)



Note:

(1) Ms Lee is the spouse of Mr. David Siew and they are parties acting in concert.

BUSINESS

OVERVIEW

Our Group is principally engaged in the passenger vehicle (“PV”) leather upholstery business and electronic accessories business in Singapore. According to the Frost & Sullivan Report, we were the leading PV interior modification service provider in Singapore in 2015 in terms of sales revenue, with a market share of 14.0%. We also ranked first in both the PV leather upholstery and electronic accessories segments in Singapore by sales revenue in 2015. Our total revenue for the years ended 31 December 2015 and 2016 were approximately S\$11.5 million and S\$13.1 million, respectively. Our total gross profit for the years ended 31 December 2015 and 2016 were approximately S\$4.6 million and S\$5.2 million, respectively. We supply a wide range of PV leather upholstery and electronic accessories to authorised PV distributors and dealers, including various subsidiaries of Customer Group A who is one of the leading authorised PV distributors and dealers in Singapore. Revenue from Customer Group A accounted for approximately 79.5% and 78.1% of our total revenue for the years ended 31 December 2015 and 2016, respectively. Please also refer to the sections headed “Risk Factors — A substantial amount of our revenue is derived from sales to Customer Group A, our largest customer during the Track Record Period, and any decrease or loss of business with any of the Largest Customer’s SG Subsidiaries could materially and adversely affect our business, financial condition and results of operations” and “Business — Customers” of this document for further details.

For our leather upholstery business, we supply and install custom-fitted leather upholstery for PV seats. We also provide leather wrapping for other PV interior products such as door panels, head rests and arm rests. For the years ended 31 December 2015 and 2016, revenue generated from our leather upholstery business accounted for approximately 31.1% and 34.3%, respectively, of our total revenue.

As for our electronic accessories business, it is divided into two sub-segments, namely (i) navigation and multimedia accessories; and (ii) safety and security accessories. Our navigation and multimedia accessories sub-segment is focused on the supply and installation of products such as navigation systems, head units and in-car entertainment systems, while our safety and security accessories sub-segment is focused on the supply and installation of products that improve driver and passenger safety and security, such as digital video recorders, reverse cameras and parking sensors and security alarm systems. For the years ended 31 December 2015 and 2016, revenue generated from our electronic accessories business accounted for approximately 68.9% and 65.7%, respectively, of our total revenue.

OUR COMPETITIVE STRENGTHS

We are the leading service provider of PV leather upholstery and electronic accessories in Singapore, with an established and proven track record

We have an established operating history of over 20 years and our Group was the leading player in the PV interior modification industry in Singapore, having a market share of approximately 14.0% in terms of sales revenue in 2015 according to the Frost & Sullivan Report. We ranked first in both the PV leather upholstery and electronic accessories segments in Singapore as measured by sales revenue in 2015, according to Frost & Sullivan Report.

During the Track Record Period, our customers are primarily authorised PV distributors and dealers in Singapore, who usually have strict requirements on the quality of PV leather upholstery and electronic accessories. According to the Frost & Sullivan Report, there were 34 PV distributors and

BUSINESS

dealers in Singapore in 2015, and 11 of them were our customers during the Track Record Period. We believe our long standing relationship with these customers is a testament to the prompt service and quality of our PV leather upholstery and electronic accessories.

Leveraging on our management’s experience and our Group’s long track record in the PV interior modification industry in Singapore, we are able to respond and adapt to market trends in a timely manner. We attend motor and electronics accessories trade fairs regularly, and have regular discussions with our suppliers for new products and market trends. Furthermore, we have regular discussions with our customers to understand their needs and requirements. Our Directors have always strived to make a conscientious effort to stay up to date with market trends and to adjust the business strategy of our Group to meet market needs whenever necessary. Indicating such efforts, our Group offers a wide range of PV electronic accessories and PV leather upholstery, along with our reliable installation services.

As the leading PV interior modification service provider in Singapore, we are able to accommodate the strict requirements and diverse needs of our customers. We believe the comprehensiveness of our product range and quality of our installation services enhance our reputation and our ability to maintain our market position and overall competitiveness.

We have long standing and well-established relationships with many of our customers and suppliers

We have established long standing business relationships with many of our customers, which comprise several major authorised PV distributors and dealers in Singapore. Our dedicated sales and marketing team maintains constant contact with all our customers. We have been serving our top five customers in the Track Record Period for a period ranging from ten to 22 years. For further details on our top five customers, please refer to the section entitled “Business — Customers” of this document. Over the years, we believe that our Group’s commitment to provide high quality leather upholstery and electronic accessories products and reliable installation services strengthens the relationships between our Group and our customers. Our well-established and long standing relationships with our customers enable us to better understand their needs and demands. We believe that our Group has built a trustworthy strategic partnership with our customers, in particular the major authorised PV distributors and dealers in Singapore, upon our proven track record of quality products and services, industry and product know-how, market awareness, dedicated management team, and competitive pricing. Our Directors consider our relationship with existing customers and our expertise, experience and reputation in the PV industry are our valuable attributes in maintaining relationship with our customers.

We have also established long standing business relationships with our suppliers for our PV leather upholstery business and electronic accessories business. We have been working with most of them for a period ranging from three to 16 years and we believe that our suppliers have developed a good understanding of our business which allows them to better meet our needs and requirements. We are the exclusive distributors to several suppliers for their electronic accessories in Singapore. We also have co-branding arrangements with some of our suppliers, pursuant to which our “Eurostyle” logo is printed on the products together with their brand. Our relationship with our suppliers of PV accessories also allows us to have access to and procure the latest PV electronic accessories from them. For further details, please refer to the section entitled “Business — Suppliers” of this document.

BUSINESS

We focus on providing high quality products and services and we implement stringent quality control

We are committed to high standards of quality for our products and services, and we employ stringent quality control over our operations, from selection of suppliers to procurement and installation, in order to ensure that our products and services meet the quality standards required by our customers. Our strong emphasis on product quality helps to maintain customer confidence and loyalty. We have established stable relationships with suppliers which we have carefully selected, which enable us to ensure that we have a stable supply of quality raw materials that meet our requirements. For details, please refer to the section headed “Business — Suppliers” of this document. We also implemented stringent quality control and our senior technicians or supervisors from each of our leather upholstery business and electronic accessories business to over quality control during our day to day operations. For details, please refer to the section headed “Business — Quality Control and Management” in this document. Our established relationships with our suppliers and our ability to maintain high and consistent standards on quality control measures throughout our procurement process and delivery of services are an integral part of our operations. Having considered the quality control procedures that we have in place, our Directors consider the quality of our products and services as one of our competitive strengths. In addition, we also provide installation teams at the vehicle preparation centres of our major customers and after-sales support after completion of our supply and installation jobs to ensure customer satisfaction.

We believe that our track record of providing quality products and services is evidenced by us not experiencing any major dispute with any of our customers during the Track Record Period and us having, based on the Frost & Sullivan Report, three of the top ten authorised PV distributors and dealers in Singapore (based as sales volume of new PV in 2015) are our customers as at the Latest Practicable Date.

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

Our senior management team is led by our founders, Mr. David Siew and Ms. Lee, both have around 30 years of experience in the PV interior modification industry and are involved in the strategic planning and management of our day-to-day operations. Under their leadership and management, our Group has grown to become the leading service provider in the PV interior modification market in Singapore. Our Directors believe that the senior management team’s extensive experience and in-depth knowledge of the PV industry would enable our Group to understand the market trends and the needs of our customers in a timely and efficient manner. For further details of the experience of our senior management team, please refer to the section entitled “Directors, Senior Management and Employees” of this document.

Our senior management team is supported by a team of well-trained technicians who have served our Group for an average of over eight years. More than one-third of our employees have been with our Group for more than ten years. We recognise that having skilled and highly motivated employees are keys to the success of our business. We conduct on-the-job training for our employees to continuously upgrade their skills, knowledge and update on industry trends. Such on-the-job training for our employees includes training them to install a wide range of PV electronic accessories to different makes and models of cars. We believe that the continuous development of our employees provides us with a

BUSINESS

strong foundation for the continuing success of our business. Our Directors believe that an experienced and committed management team, together with our well-trained technicians, would enable our Group to continue to capture market opportunities and contribute to our sustainable growth in the future.

OUR BUSINESS STRATEGIES

We expect to achieve sustainable growth so as to create long term value for our shareholders. We intend to do so by pursuing the following strategies, which are in line with our business objectives.

Upgrade existing facilities to continue to grow our business

According to the Frost & Sullivan Report, authorised PV distributors and dealers in Singapore usually have strict requirements on the quality of PV upholstery and electronic accessories. As such, to maintain our position as the market leader and to continue to grow our business, our Directors believe that it is important for us to ensure that we have the capability to provide high quality products and services which satisfy the requirements and demands of our customers to keep abreast and capitalise on the industry trend.

We intend to (i) renovate and redesign our existing facilities, including our existing workshop, showroom and warehouse, (ii) acquire new machinery, including leather cutting machines and upholstery machines and replace tools and equipment, and (iii) acquire commercial vehicles to support our mobile teams. We believe such enhancement of our facilities would increase our service capacity, enhance our operational efficiency and service quality, elevate our brand image and expand our revenue stream.

We budget the total costs on renovation and redesign of our existing workshop to be approximately HK\$4.9 million and on purchase of machinery and vehicles to be approximately HK\$4.9 million, and we expect this amount to be financed by the funds raised from the [REDACTED] and our internal resources.

Acquire new premises to serve as showroom, workshop, and warehouse

We currently have one workshop located at Eastlink, Singapore to provide installation services. Our Directors consider that it would be in our best interest to establish additional facilities to cope with our business expansion. We intend to acquire additional premises (i) to serve as warehouse near our current workshop, and (ii) to serve as showroom and workshop at a strategic location, in proximity where most vehicles distributors’ and dealers’ outlets are situated, to provide convenience to our existing customers and to capture future demand of potential customers by improving accessibility of our services. The target size of the new premises would be around 500 sq.m. in total, depending on the overall suitability and actual purchase cost. Our Directors believe the new facilities will raise public awareness towards our brand and enhance popularity of our products and services.

BUSINESS

As at the Latest Practicable Date, we had not identified any target premises yet but our Directors confirm that we will not purchase property from any connected persons of our Company. We budget the total purchase price, including the associated transaction costs such as commission, stamp duty and legal costs, as well as renovation costs, to be approximately HK\$21.0 million and we expect this amount to be financed by the funds raised from the [REDACTED] and our internal resources. Our Directors estimate that the new premises will take approximately ten months to achieve a breakeven point.

Expand our customer base by strengthening sales and marketing efforts

According to the Frost & Sullivan Report, the B2B PV interior modification market in 2016 reached S\$65.7 million, representing a CAGR of 30.1%, from 2011 to 2016. It is expected that the B2B market will continue to grow. For the two years ended 31 December 2016, out of the 34 PV distributors and dealers in Singapore, 11 of them were our customers, representing approximately 32.4% of the market share. We intend to expand and diversify our customer base by establishing long-term relationship with other authorised PV distributors and dealers.

We also intend to proactively expand our customer base in the B2C market. According to the Frost & Sullivan Report, the sales of PV interior modification products and services in the B2C business increased from S\$9.4 million in 2011 to S\$14.5 million in 2016, representing a CAGR of 9.1%. Going forward, it is expected that the B2C market will increase at a CAGR of 11.3% from 2016 to 2021. Currently, some PV owners, who have purchased their vehicles directly from authorised PV distributors and dealers, come to our workshop for after-sales services such as replacement of leather upholstery and update of navigation systems. We believe that it is getting popular for PV owners to furnish their vehicle interiors when the vehicles have been used for a few years. We anticipate a rising demand on PV interior customisation, including replacing leather upholstery and upgrading car accessories, in the B2C market. Accordingly, we intend to aggressively increase our sales and marketing efforts to enhance our market penetration to capture the potential growth.

We plan to place more advertisements in magazines, social media and websites and participate in motor roadshows to showcase the products that we provide, in particular PV electronic accessories to appeal to our corporate and retail customers. We intend to appoint an external consultant to review and enhance our branding strategies. Leveraging on our extensive experience in the industry and the existing network and relationship with major authorised PV distributors and dealers in Singapore, our Directors believe that additional marketing efforts would greatly enhance our Group’s ability to grasp the potential opportunities in this market.

Expand our product offerings

According to the Frost & Sullivan Report, that authorised PV distributors and dealers in Singapore usually have strict requirements on the quality of PV upholstery and electronic accessories. As such, to maintain our position as the market leader and to continue to grow our business, our Directors believe that it is important for us to ensure that we have the capability to provide high quality products and services which satisfy the requirements and demands of our customers to keep abreast and capitalise on the industry trend.

BUSINESS

Currently, we are the exclusive distributors to several suppliers for their electronic accessories in Singapore. We also have co-branding arrangements with some of our suppliers, pursuant to which our “Eurostyle” logo is printed on their products together with their brand. We intend to further strengthen this relationship and explore distribution of these products in Singapore and regional countries.

We will continue to explore new products for our electronic accessories business by sourcing new hardware and software products from our existing suppliers and other active suppliers in the market to expand our product offerings. We may explore entering into strategic alliances with our key suppliers or active suppliers in the market to further scout for new electronic accessories to offer our customers. In anticipation of the increasing efforts to further broaden our product offerings, we intend to recruit additional customer service personnel to handle the after-sales services. We believe that with the wide choice of products and services and our reputation for quality, we will be able to continue to realise business opportunities and maintain our market position.

Upgrade our information technology system and enhance our overall efficiency

Along with the business development and expansion plans of our Group, we feel the increasing need to monitor and manage our financial and human resources more efficiently and effectively. We plan to upgrade our information technology system, which will have functions in providing management information for us to streamline the workflow of our management process, such as automated payroll system, point of sales system, live billing system and mobile job ordering system. The upgraded information technology system will also include warehouse management and inventory tracking which helps maximise our management efficiency and therefore result in cost reduction. The new information technology system will be designed and tailored-made for our Group by an experienced enterprise software company. We expect this upgrade and continuing maintenance can enhance the quality of our services and operational efficiency for our expansion after [REDACTED].

Recruit and expand our team of technicians and strengthen staff training

We plan to employ and train a team of new technicians for our leather upholstery business and electronic accessories business, to support our business expansion plans. The increase in the number of technicians will directly enhance our service capacity and thus improve the revenue generated from our installation services. As our skilled technicians are critical to our success, we have invested, and intend to continue to invest in our skilled technicians and retain the best skilled personnel for our businesses. Furthermore, in order to provide quality customer services, we provide training for our technicians to upgrade skills and product knowledge.

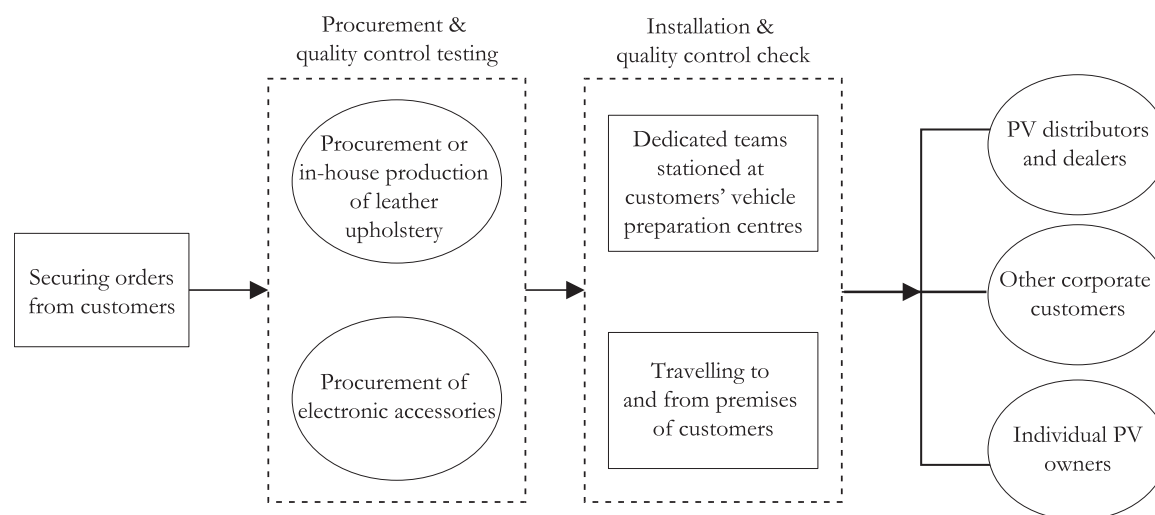
Some of the above strategies will be funded by the [REDACTED] from the [REDACTED], please refer to the section entitled “Future Plans and [REDACTED]” of this document for further details. We will fund the other strategies set out above by the internal resources and/or bank borrowings of our Group.

OUR BUSINESS MODEL

We are principally engaged in the PV leather upholstery business and electronic accessories business in Singapore. Our Group’s revenue is derived from the supply and installation service of PV leather upholstery and electronic accessories during the Track Record Period. We provide our installation services both in our workshop and at our customers’ vehicle preparation centres. We

BUSINESS

recognise our revenue when our installation services have been delivered to and accepted by our customers. According to the Frost & Sullivan Report, we were the leading PV interior modification service provider in Singapore in 2015 in terms of sales revenue, with a market share of 14.0%. We also ranked first in both the PV leather upholstery and electronic accessories segments in Singapore by sales revenue in 2015. For both of our businesses, our customers are typically authorised PV distributors and dealers in Singapore. According to the Frost & Sullivan Report, there were 34 PV distributors and dealers in Singapore in 2015, and 11 of them were our customers during the Track Record Period. The following chart illustrates our business model:



Revenue

The breakdown of our revenue by each segment of our Group’s businesses during the Track Record Period was as follows:

	Year ended 31 December			
	2015		2016	
	S\$'000	%	S\$'000	%
Leather upholstery business	3,566	31.1	4,482	34.3
Electronic accessories business				
— Navigation and multimedia	3,784	33.0	3,905	29.8
— Safety and security	4,120	35.9	4,695	35.9
	<u>7,904</u>	<u>68.9</u>	<u>8,600</u>	<u>65.7</u>
Total	<u>11,470</u>	<u>100.0</u>	<u>13,082</u>	<u>100.0</u>

For the years ended 31 December 2015 and 2016, revenue generated from our leather upholstery business accounted for approximately 31.1% and 34.3% respectively of our total revenue. For the years 31 December 2015 and 2016, revenue generated from the (i) navigation and multimedia sub-segment of

BUSINESS

our electronic accessories business accounted for approximately 33.0% and 29.8%; and (ii) safety and security sub-segment of our electronic accessories business accounted for approximately 35.9% and 35.9%, respectively of our total revenue.

Gross profit

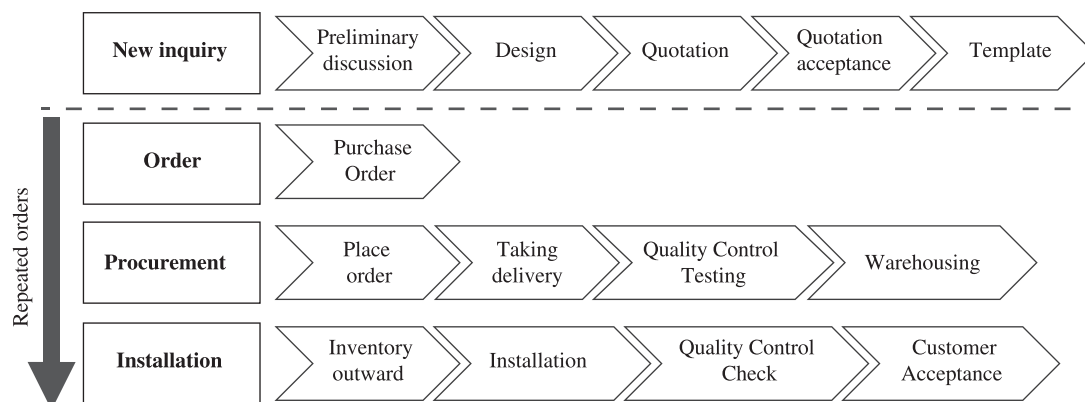
The breakdown of our gross profit by each segment of our Group’s business during the Track Record Period was as follows:

	Year ended 31 December					
	2015			2016		
	S\$’000	%	margin %	S\$’000	%	margin %
Leather upholstery business	1,089	23.6	30.5	1,331	25.4	29.7
Electronic accessories business						
— Navigation and multimedia	1,390	30.2	36.7	1,419	27.0	36.3
— Safety and security	2,127	46.2	51.6	2,500	47.6	53.3
	3,517	76.4	44.5	3,919	74.6	45.6
Total	4,606	100.0	40.2	5,250	100.0	40.1

For the years ended 31 December 2015 and 2016, gross profit generated from our leather upholstery business accounted for approximately 23.6% and 25.4%, respectively of our total gross profit. For the years ended 31 December 2015 and 2016, gross profit and gross profit margin generated from the (i) navigation and multimedia sub-segment of our electronic accessories business accounted for approximately 30.2% and 27.0%, 36.7% and 36.3%; and (ii) safety and security sub-segment of our electronic accessories business accounted for approximately 46.2% and 47.6%, 51.6% and 53.3%, respectively of our total gross profit and total gross profit margin.

Leather upholstery business

The following diagram illustrates the steps typically undertaken by us in our leather upholstery business:



BUSINESS

We have dedicated leather upholstery team, comprising 25 employees as at the Latest Practicable Date. Our leather upholstery team is responsible for creating the templates of upholstered passenger vehicle seats for our customers upon request.

Our premises are equipped with equipment and facilities which are owned by us and allow our leather upholstery team to manufacture and install the passenger vehicle leather upholstery that we provide at our workshop, such as leather embossing machine, perforating machines, sewing machines, lockstitch machines, compressors and air guns.

New inquiry

We provide quality products that is aligned with our customers’ tastes and preferences. We engage a supplier to provide the design drafts which are provided to the customers for input. We liaise and communicate our customers’ design requirements with our supplier.

From time to time, our customers may request for a sample seat cover upholstery (a single passenger vehicle seat, armrest or headrest upholstered based on the design draft) to be made for their consideration prior to the approval of the design draft.

For customers apart from Customer Group A, our largest customer during the Track Record Period, we typically receive quotation requests for supply and installation of passenger vehicle leather upholstery for our customers’ passenger vehicles.

For Customer Group A, a designated entity, which is one of the Largest Customer’s SG Subsidiaries, generally requests us to provide a quote for the supply and installation of passenger vehicle leather upholstery products of the pre-delivery new passenger vehicles. We will then submit a quotation package to the designated entity. If the designated entity accepts our quotation, we will be issued with a letter of acceptance and a contract will then be entered into with the designated entity. For further details on our relationship and service arrangement with Customer Group A, please refer to the paragraph headed “Our Largest Customer — Customer Group A” and “Business — Sales Orders and Sales Agreements” under this section.

Order

Customers will place purchase orders with our sales managers. Our sales managers will inform leather upholstery supervisor for the quantity and delivery period of the order.

Procurement

Our passenger vehicle leather upholstery are generally manufactured and provided by our suppliers according to our requirements and specifications. Our suppliers are responsible for procuring raw materials for the leather upholstery that they manufacture. We manufacture a small volume of passenger vehicle leather upholstery as prototype samples for our customers and for small orders to utilise our spare capacity. This arrangement is more cost effective and gives us greater flexibility in our works and meet delivery schedules for our customers’ orders.

BUSINESS

Installation

The ready-to-install PV leather upholstery are delivered to our workshop, where our leather upholstery team conducts visual quality inspection to ensure adherence to our specifications and requirements. Pieces which are found not meeting our specifications and requirements will be sent back to our suppliers who will provide a replacement.

The installation of the passenger vehicle leather upholstery that we provide is entirely undertaken by us in Singapore in the following manner:

- (a) Pre-delivery new passenger vehicles for authorised passenger vehicle distributors and dealers:

We have both permanent and mobile teams for our passenger vehicle leather upholstery business. Permanent teams are stationed at the vehicle preparation centres of our customers for the supply and installation of the passenger vehicle leather upholstery onto their pre-delivery new passenger vehicles. Mobile teams travel to our customers’ premises to remove the parts, such as seats, door panels, head rests, and arm rests from their pre-delivery new passenger vehicles, and transport them back to our workshop for installation of the passenger vehicle leather upholstery. The upholstered seats, door panels, head rests and arm rests are then transported back to our customers to be re-fitted onto the passenger vehicles.

- (b) After-sales:

Mobile teams travel to our customers’ premises to remove the parts, such as seats, door panels, head rests and arm rests from their passenger vehicles and transport them back to our premises for installation of the passenger vehicle leather upholstery. The upholstered seats, door panels, head rests and arm rests are then transported back to our customers to be re-fitted onto the passenger vehicles.

After all installations, stringent quality checks are conducted by our team before the upholstered PV are handed over to our customers. Our team conducts visual inspections and checks the fitting of the passenger vehicle leather upholstery. If our requirements are not met, the PV leather upholstery is uninstalled from the passenger vehicle and sent back to our supplier for a replacement.

Passenger vehicle leather upholstery

Our leather upholstery products are typically for seats, headrests and armrests of passenger vehicles. The product life cycle of our PV leather upholstery products for pre-delivery new passenger vehicles generally tracks the model cycle and change in design of such passenger vehicle, which we believe to be around two to three years.

BUSINESS

The pictures below illustrate the design and application of the PV leather upholstery:



Front seats leather upholstery



Rear seats leather upholstery

We have supplied and installed PV leather upholstery products for approximately 3,900 and 4,900 passenger vehicles for the years ended 31 December 2015 and 2016, respectively. The revenue generated from our leather upholstery business segment accounted for approximately 31.1% and 34.3% of our total revenue for the years ended 31 December 2015 and 2016, respectively.

We set out below the range of selling price per set of our major types of PV leather upholstery products during the Track Record Period:

Passenger vehicle leather upholstery products	Range of selling price per set
	(\$)
— half leather upholstery ⁽¹⁾	500–1,600
— full leather upholstery ⁽²⁾	700–2,200

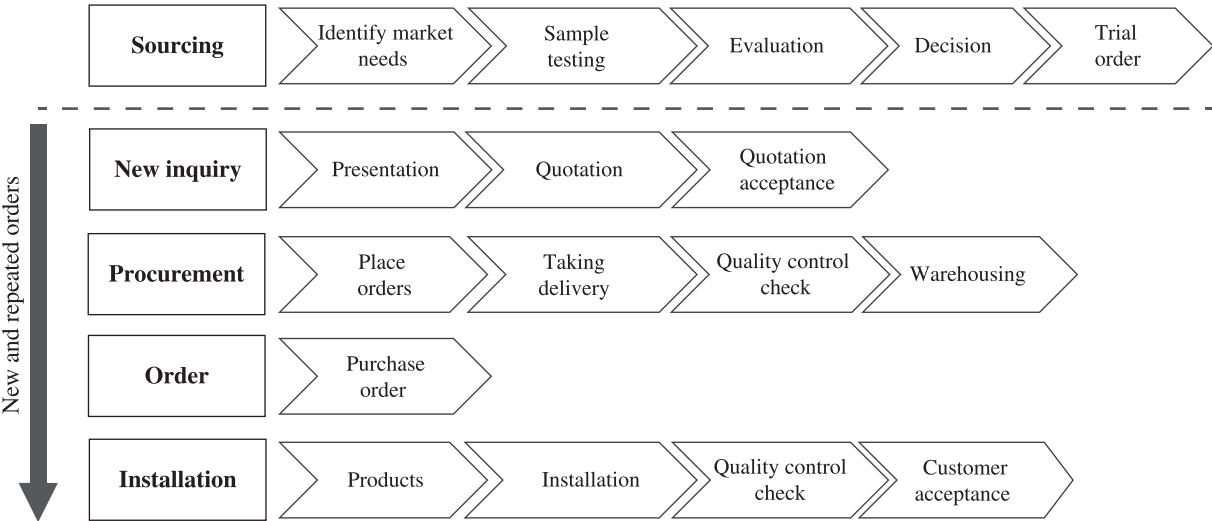
Notes:

- (1) Half leather upholstery denotes leather upholstery made with a combination of genuine leather and polyurethane leather.
- (2) Full leather upholstery denotes leather upholstery made entirely with genuine leather.

BUSINESS

Passenger vehicle electronic accessories business

The following diagram illustrates the steps typically undertaken by us in both our electronic accessories business sub-segments, namely (i) navigation and multimedia accessories sub-segment; and (ii) safety and security accessories sub-segment:



We have an electronic accessories team which is made up of our Product Testing and Quality Control Department and skilled technicians, comprising 15 employees as at the Latest Practicable Date. Our premises are equipped with various equipment which allows our accessories team to install the PV electronic accessories at our workshop. Common workshop tools, such as screwdrivers, cutters, pliers, socket connectors, electronic passenger vehicle diagnostic equipments and electric drills, are used in the installation process.

Sourcing

Our Product Testing and Quality Control Department identifies potential PV electronic accessories. Samples are brought in for testing for functionality and reliability. Should such accessories meet our requirements, we will then proceed to try to secure rights to market them. Our Directors believe that the wide range of PV electronic accessories that we offer, together with our track record and experience in the PV interior modification market, makes us a preferred supplier and installer to many authorised PV distributors and dealers. Our Product Testing and Quality Control Department is also responsible for maintaining adequate inventory levels so that we are able to fulfil existing and anticipated orders.

New inquiry

We adopt a pro-active approach by presenting the PV electronic accessories that we supply to our customers. We will install the PV electronic accessories to their passenger vehicle for testing and evaluation.

BUSINESS

If our customers are interested in our products, except for Customer Group A, they will typically request us to quote for the supply and installation of the electronic accessories for their customers’ passenger vehicles. If they find our quote acceptable, they will inform us of their decision. We generally do not enter into any contract with our customers other than with Customer Group A. See “Business — Customers — Sales orders and Sales Arrangements” in this document for details.

Procurement

We purchase PV electronic accessories from suppliers both locally and overseas including Malaysia, Korea and Taiwan. We do not manufacture any of the PV electronic accessories that we provide. Save for Customer Group A, we do not enter into long term contracts with any of our customers.

Upon receipt of the PV electronic accessories that we have placed orders to our suppliers, a visual inspection and checks on whether the PV electronic accessories function on sampling basis is conducted before delivery to our warehouse. Products that do not meet our requirements will be sent back to our suppliers for replacement.

Order

Customers will place purchase order with our sales managers. Sales managers will inform our electronic accessories supervisor for the quantity and delivery period of the order.

Installation

The installation of the PV electronic accessories that we provide is entirely undertaken by us in Singapore in the following manner:

- (a) Pre-delivery new passenger vehicles for authorised PV distributors and dealers:

We have both permanent and mobile teams for our PV electronic accessories business. Permanent teams are stationed at our customers’ vehicle preparation centres for the supply and installation of the PV electronic accessories onto their pre-delivery new passenger vehicles. Mobile teams travel to our customers’ premises to supply and install the passenger vehicle electronic accessories onto their pre-delivery new passenger vehicles.

- (b) After-sales:

Mobile teams travel to our customers’ premises to supply and install the PV electronic accessories onto their passenger vehicles.

After all installations, stringent quality checks are conducted by our team before the passenger vehicles are handed over to our customers. Our team conducts visual inspections and checks whether the installed electronic accessories function. If our requirements are not met, the PV electronic accessories will be uninstalled and replaced with another set from our inventories immediately.

BUSINESS

Passenger vehicle electronic accessories

We installed approximately 14,100 units and 16,800 units of passenger vehicle electronic accessories during the years ended 31 December 2015 and 2016, respectively.

The revenue generated from our PV electronic accessories business accounted for approximately 68.9% and 65.7% of our total revenue for the years ended 31 December 2015 and 2016, respectively.

We have exclusive distributorships in Singapore and/or co-branding arrangements with some of our suppliers. Pursuant to the co-branding arrangements, our “Eurostyle” logo is printed on the PV electronic accessories together with their own brand. We believe that the exclusive distributorship and co-branding arrangements are testament of our suppliers’ trust in our quality and service reliability.

The diagram below illustrates some of the PV electronic accessories that we supply and install.



BUSINESS

Navigation and multimedia accessories

For the navigation and multimedia sub-segment of our PV electronic accessories business, during the Track Record Period, the followings are the main PV electronic accessories that we supply and install:

<u>Navigation and multimedia accessories</u>	<u>Range of selling price per unit</u>
	S\$
Navigation system	900–2,200
Headunit	500–1,550
In-car entertainment system	600–1,600

For orders of our navigation systems, we integrate various component parts, such as navigation hardware, interface and map software, from various suppliers and install the integrated product into our customers’ passenger vehicles.

We sold approximately approximately 2,900 and 3,400 units of our navigation and multimedia accessories for the years ended 31 December 2015 and 2016, respectively. The revenue generated from the navigation and multimedia sub-segment of our PV electronic accessories business accounted for approximately 33.0% and 29.8% of our total revenue for the years ended 31 December 2015 and 2016, respectively.

Safety and security accessories

For the safety and security sub-segment of our PV electronic accessories business, during the Track Record Period, the followings are the main PV electronic accessories that we supply and install:

<u>Safety and security accessories</u>	<u>Range of selling price per unit</u>
	S\$
Reverse camera system	300–1,500
Parking sensor system	70–400
Digital video recorder	400–950

We installed approximately 11,200 and 13,400 units of safety and security accessories for the years ended 31 December 2015 and 2016, respectively. The revenue generated from the safety and security sub-segment of our PV electronic accessories business accounted for approximately 35.9% and 35.9% of our total revenue for the years ended 31 December 2015 and 2016, respectively.

CUSTOMERS

Our customers are primarily authorised PV distributors and dealers who engage us for supply and installation of PV leather upholstery and PV electronic accessories. For the years ended 31 December 2015 and 2016, revenue generated from our authorised PV distributors and dealers customers amounted to 96.0% and 95.8%, respectively. We occasionally provide PV leather upholstery and PV electronic

BUSINESS

accessories to other corporate customers, such as car rental companies, and individual car owners. The revenue generated from these other customers amounted to 4.0% and 4.2% during the same periods, respectively.

For the years ended 31 December 2015 and 2016, revenue generated from our top five customers accounted for approximately 93.9% and 92.1% of our total revenue, respectively, and revenue generated from our largest customer, Customer Group A, accounted for approximately 79.5% and 78.1% of our total revenue during the same periods, respectively. All of our top five customers during the Track Record Period were authorised PV distributors and dealers. During the Track Record Period, none of our Directors or their close associates or our Shareholders who owned more than 5% of our issued share capital had any interest in any of our top five customers.

The tables below set out details of our top five customers during the Track Record Period.

For the year ended 31 December 2015

<u>Rank</u>	<u>Customer/ Approximate number of years of business relationship with us</u>	<u>Key products/services provided by us during the Track Record Period</u>	<u>Amount of sales S\$'000</u>	<u>Percentage of total sales of our Group (%)</u>
1	Customer Group A ⁽¹⁾ /22 years	PV leather upholstery, digital video recorders, reverse sensors, reverse cameras, multimedia systems and navigation systems for pre-delivery new passenger vehicles and after-sales services	9,125	79.5
2	Customer B/ 10 years	PV leather upholstery and reverse sensors	883	7.7
3	Customer C/ 11 years	PV leather upholstery, digital video recorders, reverse sensors, reverse cameras, multimedia systems and navigation systems	442	3.9
4	Customer D/ 16 years	PV leather upholstery	200	1.7
5	Customer E/ 12 years	PV leather upholstery, digital video recorders, reverse sensors, reverse cameras, multimedia systems and navigation systems	130	1.1

BUSINESS

For the year ended 31 December 2016

Rank	Customer/ Approximate number of years of business relationship with us	Key products/services provided by us during the Track Record Period	Amount of sales S\$'000	Percentage of total sales of our Group (%)
1	Customer Group A ⁽¹⁾ /22 years	PV leather upholstery, digital video recorders, reverse sensors, reverse cameras, multimedia systems and navigation systems for pre-delivery new passenger vehicles and after-sales services	10,220	78.1
2	Customer B/ 10 years	PV leather upholstery and reverse sensors	564	4.3
3	Customer D/ 16 years	PV leather upholstery and multimedia systems	501	3.8
4	Customer C/ 11 years	PV leather upholstery, digital video recorders, reverse sensors, multimedia systems and navigation systems	488	3.7
5	Customer F/ 7 years	PV leather upholstery, digital video recorders, reverse cameras and navigation systems	288	2.2

Notes:

- (1) Customer Group A, it comprised of all of our revenue generated from services provided to subsidiaries of one of the largest authorised PV distributors and dealers in Singapore. Please refer to “Our Largest Customer — Customer Group A” below for more information.

Our Largest Customer — Customer Group A

Customer Group A is one of the largest authorised PV distributors and dealers in Singapore and listed on the Singapore Exchange Limited. Customer Group A belongs to a multinational diversified business group. In Singapore, the Customer Group A is primarily engaged in retail, distribution and after-sales services of a number of brands of motor vehicles. During the Track Record Period, we provided PV leather upholstery and electronic accessories to the pre-delivery passenger vehicles and the after-sales departments of the Singapore subsidiaries of Customer Group A (the “**Largest Customer’s SG Subsidiaries**”, and each, the “**Largest Customer’s SG Subsidiary**”).

We have well-established and long term relationships with our Largest Customer’s SG Subsidiaries. As at the Latest Practicable Date, we have been providing products and services for PV distributed by each of our Largest Customer’s SG Subsidiaries for periods ranging from ten to 22 years and have not experienced any material dispute with any of our Largest Customer’s SG Subsidiaries. For

BUSINESS

the years ended 31 December 2015 and 2016, our revenue derived from our Largest Customer’s SG Subsidiaries amounted to approximately 79.5% and 78.1% of our Group’s total revenue during the same periods, respectively.

We have aggregated the sales to these Singapore subsidiaries as sales to Customer Group A as (i) the quotations provided by us directly to each of the Largest Customer’s SG Subsidiaries for our products and services during the Track Record Period for consideration and were in turn evaluated by one designated entity of the Largest Customer’s SG subsidiary (the “Largest Customer’s Designated Entity”) to finally approve our quotation; (ii) we entered into the service agreements with our Largest Customer’s Designated Entity for all of the products and services provided to pre-delivery PV of our Largest Customer’s SG Subsidiaries; and (iii) our services provided to our Largest Customer’s SG Subsidiaries pre-delivery PV were all located in one location within our Largest Customer’s Designated Entity. We have also aggregated the sales to the after-sales department of the Largest Customer’s SG Subsidiaries for completeness of presentation.

However, in terms of operations, we treat each of our Largest Customer’s SG Subsidiaries as a separate customer as the relevant brand head of sales of each of the our Largest Customer’s SG Subsidiaries has the discretion in determining which supplier to request quotations from and to procure products and service; and orders are secured by us from each of our Largest Customer’s SG Subsidiaries separately and independently of the other Largest Customer’s SG Subsidiaries. During the Track Record Period, we provided quotations for four different Largest Customer’s SG Subsidiaries and separately to each of them. Furthermore, each brand head of sales of each Largest Customer’s SG Subsidiary may negotiate additional features and prices with us depending on their needs. We believe we compete against other suppliers of Customer Group A, differentiating ourselves from other suppliers by providing quality products with tasteful and innovative designs, and warranties and after-sales support. For the years ended 31 December 2015 and 2016, our revenue generated from job orders originating from the four Largest Customer’s SG Subsidiaries are as follows:

	<u>Year ended 31 December</u>	
	<u>2015</u>	<u>2016</u>
	<u>%</u>	<u>%</u>
Revenue generated from each Largest Customer’s SG Subsidiary as a percentage of total revenue		
1. Subsidiary 1	39.9	29.1
2. Subsidiary 2	15.5	26.5
3. Subsidiary 3	15.1	14.0
4. Subsidiary 4	<u>9.0</u>	<u>8.5</u>
	<u>79.5</u>	<u>78.1</u>

Sales Orders and Sales Agreements

Depending on the customers, they may either place orders with us through job order or purchase orders. Our Largest Customer’s SG Subsidiaries will place orders with us through daily job orders, which we will complete the order within the day. Our Largest Customer’s Designated Entity will then provide us with the formal purchase order, wherein we will issue an invoice. As for our other customers,

BUSINESS

they typically place purchase orders with us directly. We will then issue an invoice upon completion of the job. In accordance with our Group’s credit policy, we generally offer our customers 30 day’s credit terms.

We generally do not enter into framework agreements with our customers other than with our Largest Customer’s Designated Entity for the supply and installation of PV leather upholstery products and/or electronic accessories for their pre-delivery PV. We set out below a summary of the typical key terms of our subsisting framework agreements with our Largest Customer’s Designated Entity as at the Latest Practicable Date:

Duration	Approximately ranging from one to two years
Minimum purchase commitment	None
Price	Each model of the products referred to on the relevant agreement has an agreed standard price and subject to change upon negotiation over the period of the framework agreement
Payment term	30 days from the date of invoice
Services provision	Services must be provided within the designated area of our Largest Customer’s Designated Entity
Insurance	We must maintain public liability insurance with a minimum coverage of S\$1.0 million per occurrence and adequate workmen’s compensation insurance, and ensure that our Largest Customer’s Designated Entity must be named as a joint insured party but insurer must waive the subrogation rights against our Largest Customer’s Designated Entity
Warranty	Between 12 to 36 months for manufacturers’ defects, installation related complaints and defects in workmanship. All warranty repairs being inclusive of labour costs and charges for parts.
Termination	Either party may terminate the agreement without any reason whatsoever with three months’ written notice to the other party.

Based on the legal opinion issued by Singapore Legal Advisers, as at the Latest Practicable Date, the aforesaid framework agreements are legally binding, valid and enforceable under the applicable laws and regulations of Singapore.

To the best knowledge and belief of our Directors, none of our customers deal exclusively with our Group and we do not deal exclusively with any of our customers.

Customer Concentration

For the years ended 31 December 2015 and 2016, our five largest customers accounted for approximately 93.9% and 92.1% of our sales, respectively. In particular, our largest customer accounted

BUSINESS

for approximately 79.5% and 78.1% of our sales, respectively. Despite such customer concentration, our Directors consider that we are not reliant on any single customer and capable of maintaining our sales in the future because:

- (i) *Singapore passenger vehicle market dominated by a few large vehicle dealership groups:* According to the Frost & Sullivan Report, the Singapore authorised passenger vehicle market is dominated by a few large passenger vehicle distributors and dealers with the top ten players accounting for approximately 76.1% of the market by sales volume of new passenger vehicles in 2015. Frost & Sullivan is also of the view that it is common in Singapore that passenger vehicle interior modification service providers rely on one or several large passenger vehicle distributors and dealers and remain profitable. The reason is that large new PV distributors are usually authorised by multiple car manufacturers, and they retail several brands in Singapore. Hence, their customer base covers a significant amount of passenger vehicle drivers domestically. During the Track Record Period, we provided services to four of the top ten authorised PV distributors and dealers, which accounted for approximately 28.6% the market by sales volume of new passenger vehicles in 2015. For the two years ended 31 December 2016, out of the 34 authorised PV distributors and dealers in Singapore, excluding the Customer Group A, ten of them were our customers, representing approximately 30.3% of the market share. Of these ten authorised PV distributors and dealers, our relationship with them were up to 16 years and we have not experienced any material dispute with any of them. Furthermore, we also supplied similar PV leather upholstery and electronic accessories that we supplied to the Largest Customer’s SG Subsidiaries to our other customers during the Track Record Period;
- (ii) *Mutual and complementary relationship between Customer Group A and us:* Customer Group A and us have a complementary relationship. We are the market leader in the provision of PV leather upholstery and passenger vehicle electronic accessories in Singapore. We have been working closely with each of the Largest Customer’s SG Subsidiaries for periods ranging from ten to 22 years, supplying products that meet their requirements and providing quality and prompt services. It is generally difficult for new entrants to the market with insufficient industry expertise and servicing capacity to attain to such position. Our sales and marketing team works closely with the various brand heads of sales of each Largest Customer’s SG Subsidiary. Job orders are secured by our Group from each of the Largest Customer’s SG Subsidiaries separately and independently of other Largest Customer’s SG Subsidiaries. We believe that we are well positioned and capable to provide our products and services to Customer Group A. Furthermore, according to the Frost & Sullivan Report, Customer Group A is one of the largest authorised PV distributors and dealers in Singapore. Our Directors believe that we are one of the few leading providers in Singapore which are able to meet the quantity and quality requirements by each of the Largest Customer’s SG Subsidiaries;
- (iii) *Directly working with each Largest Customer’s SG Subsidiary:* Our sales and marketing team has been working directly with each of the Largest Customer’s SG Subsidiaries. Each Largest Customer’s SG Subsidiary evaluate our products, negotiate prices with us and makes their own decisions in selecting our products for their respective brands under them. The relevant

BUSINESS

brand head of sales of each Largest Customer’s SG Subsidiary has the discretion in determining which authorised supplier to procure products and services from; and job orders are secured by us from each Largest Customer’s SG Subsidiary separately and independently;

- (iv) *Wide range of product mix:* Unlike competitors that only provide one or two passenger vehicle interior modification products, our Group offers a wide range of product mix that covers both cabin decoration (leather upholstery) and electronic accessories (reverse cameras, sensors, video recorders, navigation systems and others). In addition, our Group also provides installation and after-sales services. According to the Frost & Sullivan Report, our Group is the market leader in the provision of passenger vehicle leather upholstery and electronic accessories in Singapore in terms of revenue in 2015. Our Group’s quality services and products gave us an edge over other competitors in providing stable business cooperation and support for the authorised passenger vehicle distributors and dealers;
- (v) *Actively expanding customer base and product offering:* We continue to diversify our customer base by establishing long-term relationship with other customers and offer new products to increase sales to other customers. In terms of expanding our customer base, some PV owners who have purchased their PV directly from our authorised passenger vehicle distributors and dealers customers come to our workshops for after-sales services such as maintenance, map and software updates for their navigation systems. We believe that we will be able to secure such direct PV owners as customers after the warranty period of their passenger vehicles. Furthermore, we are expanding our services to provide leather upholstery and electronic accessories to second hand or used passenger vehicle owners. We also had provided and may continue to provide PV leather upholstery and PV electronic accessories to other corporate customers, such as car rental companies. Adding such a customer demographic to our customer base would provide us with an additional revenue stream thus reducing reliance on our existing authorised PV distributors and dealers customers. Please refer to the section headed “Business — Our Business Strategies” for more information; and
- (vi) *Alternative customers:* In relation to Customer Group A, our largest customer for the Track Record Period, we are not the exclusive supplier to the Largest Customer’s SG Subsidiaries and not restricted from selling similar products or providing similar services to other customers. In the unlikely event that our relationship with the Largest Customer’s SG Subsidiaries is terminated for whatever reason, our Group can still work with other customers as we offer a wide range of products and services that are compatible to many car makes. For example, we provided products and services to ten other authorised PV distributors and dealers in Singapore.

For risk in relation to our relationship with our top five customers, please refer to the section headed “Risk Factors — A substantial amount of our revenue is derived from the contracts we enter into with the subsidiaries of one of the leading Singapore car dealers, and any decrease or loss of business with any of its subsidiaries could materially and adversely affect our business, financial condition and results of operations” of this document.

BUSINESS

Pricing policy and credit terms

We generally price our passenger vehicle leather upholstery products taking into consideration of factors such as the type of leather, complexity of design and work, volume and lead time. In accordance with our Group’s credit policy, we generally offer our customers 30 day’s credit terms and payment is made by way of cheques and telegraphic transfers. For our retail customers, being individual passenger vehicle owners, payment is made in full on delivery by way of cash or credit card, but we may require deposits for PV leather upholstery products.

As for our passenger vehicle electronics accessories products, we generally price them taking into consideration of the market availability of comparable products, difficulty and complexity of installation, order volume and lead time. For urgent orders, we may charge a price premium compared to the normal order.

During the Track Record Period, the selling price of our products remain relatively stable.

SUPPLIERS

Our suppliers for our leather upholstery business include (i) suppliers of leather hides; and (ii) suppliers of custom-fitted leather upholstery for PV seats. Our suppliers for the navigation and multimedia sub-segment of our electronic accessories business include the various suppliers of navigation systems and multimedia players. Our suppliers for the security and safety sub-segment of our electronic accessories business include the various suppliers of electronic accessories such as, among others, digital video recorders, parking sensors and cameras.

Our Group has stringent procedures in the selection of suppliers. We maintain a list of approved suppliers that are generally located in Singapore, Malaysia, Korea and Taiwan and they are selected based on the pricing, quality and specifications of raw materials, product compliance with safety and environmental standards, timeliness of delivery, production capability and services provided. We generally procure our major raw materials from the suppliers in our list of approved suppliers and, in order to reduce our dependence on any one supplier, we generally maintain more than one supplier for our major raw materials.

For our leather hides, our technicians conduct inspection upon receipt to ensure that they are free from defects and conform to specifications. For our electronics accessories, prior to purchasing, our technicians test sample accessories for their functionality, stability and reliability and would provide feedback to our suppliers. Our suppliers would, where possible, troubleshoot and make modifications to such accessories based on our feedback. Further testing on the modified accessories is carried out to ensure the quality is up to standard. Our technicians carry out random testing on the accessories upon receipt and any defective accessories would be returned to our suppliers.

For the years ended 31 December 2015 and 2016, purchases from our top five suppliers of our Group accounted for approximately 73.0% and 82.0% of our total purchases respectively, and purchases from our largest supplier accounted for approximately 24.7% and 25.3% respectively of our total purchases during the same periods. Our Directors confirmed that none of our Directors, their associates or Shareholders who own more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of our Group’s five largest suppliers during the Track Record Period.

BUSINESS

The tables below set out details of the top five suppliers for our Group during the Track Record Period.

For the year ended 31 December 2015

Rank	Supplier/Approximate number of years of business relationship with us	Key product/service supplied to us during the Track Record Period	Typical credit terms and payment method	Amount of purchases S\$'000	Percentage of total purchases of our Group (%)
1	Supplier A/7 years	Navigation systems and multimedia systems	30 days, cheque	1,384	24.7
2	Supplier B/8 years	Manufacture of passenger vehicle leather seat covers	45 days, telegraphic transfer	756	13.5
3	Supplier C /3 years	Digital video recorders	No credit terms, telegraphic transfer or letter of credit	727	13.0
4	Supplier D/10 years	Leather hides and design and manufacture of passenger vehicle leather seat covers	30 days, telegraphic transfer	704	12.6
5	Supplier E/16 years	Navigation systems, parking sensors and cameras	30 days, cheque	514	9.2

BUSINESS

For the year ended 31 December 2016

Rank	Supplier/Approximate number of years of business relationship with us	Key product/service supplied to us during the Track Record Period	Typical credit terms and payment method	Amount of purchases S\$'000	Percentage of total purchases of our Group (%)
1	Supplier D/ 10 years	Leather hides and design and manufacture of passenger vehicle leather seat covers	30 days, telegraphic transfer	1,420	25.3
2	Supplier C/ 3 years	Digital video recorders	No credit terms, telegraphic transfer or letter of credit	1,214	21.7
3	Supplier A/ 7 years	Navigation systems and multimedia systems	30 days, cheque	777	13.9
4	Supplier G/ 6 years	Navigation systems, multimedia systems, sensors, cameras, alarm systems and digital video recorders	7 to 30 days, cheque	596	10.6
5	Supplier B/ 8 years	Manufacture of passenger vehicle leather seat covers	45 days, telegraphic transfer	590	10.5

Agreement with suppliers

Our Group generally do not enter into any long-term supply agreements with our suppliers. We generally place orders directly with (i) our suppliers for our leather upholstery business to procure leather hides and leather upholstery for our PV seat covers; and (ii) our suppliers of various PV electronic accessories. Certain of our suppliers grant us exclusive distributorships for their PV electronic accessories in Singapore.

Credit terms and payment method

Our suppliers typically offer us a credit period of 30 days upon issue of invoice. Our material purchases are primarily denominated in US\$ and S\$. As at the Latest Practicable Date, we had not entered into any hedging transactions. We generally settle our procurement cost by bank transfer for overseas suppliers and by cheque for local Singapore suppliers.

INVENTORY MANAGEMENT

Our inventory includes leather hides, custom-fitted passenger vehicle leather upholstery for PV seat covers; and electronics accessories. Our inventory is stored in at our warehouses and at our storage area at the vehicle preparation centre of our Largest Customer’s SG Subsidiaries as we customarily

BUSINESS

conduct our installation works at their premises. We closely monitor our inventory to achieve a balance of cost efficiency, quality control and timely distribution. We strive to maintain optimal inventory levels to meet customer demands and manage our working capital requirements to finance our inventory.

We monitor our inventory levels regularly through our enterprise resource planning system. We also conduct physical stock take from time to time to ensure the accuracy of our inventory records. This information will be reviewed by our senior management to ensure that we are adequately funded and appropriately stocked with inventory.

Purchases of PV leather upholstery and electronic accessories are determined and adjusted by taking into account our current inventories and anticipated customer demand. This helps us to optimise inventory levels and maximise profitability. During the Track Record Period, we had not encountered any material shortage of, or material difficulties in procuring materials or services for our businesses and we had not experienced any significant delay in delivery of materials or services for our businesses by our suppliers which caused material disruption of our operations.

As at 31 December 2015 and 2016, our inventory amounted to approximately S\$1.1 million and S\$0.6 million, respectively, and our inventory turnover days were approximately 51.3 days and 40.4 days, respectively.

INFORMATION TECHNOLOGY

We have installed an enterprise resource system, which we use for supporting our accounting functions and monitoring our inventory level. We plan to upgrade our information technology system, please refer to section entitled “Business — Our Business Strategies” in this document for more information.

QUALITY CONTROL AND MANAGEMENT

We have an established track record and reputation for reliability and quality in the supply and installation of PV leather upholstery and electronic accessories. For each job, our senior technicians or supervisors from each of our leather upholstery business and electronic accessories business oversee quality control during the day to day operations.

Our senior technicians or supervisors from our leather upholstery business ensure that (i) job requirements are identified; (ii) works are performed and materials are used in accordance with the specifications of our customer’s order; (iii) quality control inspections on the leather upholstery are conducted before installation; and (iv) another quality control inspection after the installation works and before the handover of the passenger vehicle to the customer.

Stringent quality controls are conducted on PV leather upholstery and electronic accessories, especially products from new and untested suppliers. Upon receipt of the PV leather upholstery and electronic accessories, we conduct checks on the same to ensure that they are of the right specifications and are free from defects. Any defects will be promptly reported to our suppliers.

In line with our belief in the importance of providing quality products and services to our customers, we have put in place procedures to ensure that complaints from our customers are handled promptly. Our customers may complain by contacting our technicians and such complaints are initially

BUSINESS

handled by our technicians, and if they are unable to resolve it, our senior management will proceed with the follow-up action. All resolutions of complaints will be clearly and promptly communicated to our customers. Furthermore, in order to provide quality customer services and minimise the number of complaints, we provide trainings to technicians on skills, professional knowledge and latest developments.

Our Product Testing and Quality Control Department evaluates and identifies the latest in-demand passenger vehicle electronic accessories in the market. After identifying and shortlisting such products, our Product Testing and Quality Control Department conduct our in-house testing on the shortlisted product in order to ensure the quality of our products. Through the efforts of the Product Testing and Quality Control Department, we actively and continuously secures the distribution rights to the latest quality products such that it is able to offer the same to our customers.

We consider our ability to uphold the quality of our services and products crucial to our long term growth, and counts this ability as one of its competitive advantages in the industry. Our Group has obtained the ISO 9001:2008 certification since 6 June 2016, an internationally recognised standard for quality management.

Warranty

We provide warranties for the PV leather upholstery and electronic accessories, usually for a period of one to three years. We provide free of charge follow-up check and services within such period if any defects on the products are found. Warranties granted by us for the leather upholstery and electronic accessories are based on the warranties provided by the supplier of such products.

Given that we have stringent quality control measures, the aggregate value at our provision for warranty was insignificant during the Track Record Period. During the Track Record Period, we had not recorded any incident of product recall, significant amount of product return or major product liability claim.

SEASONALITY

Our Directors confirm that our Group’s revenue was not subject to seasonality during the Track Record Period.

SALES AND MARKETING

We strive to associate our “Eurostyle” brand and image with quality and reliability. We showcase our brand in some of the PV electronic accessories we provide, sometimes via co-branding arrangements with some of our suppliers’. Save for the foregoing, we currently do not focus on carrying out advertising and promotion activities as in general for our industry, our sales leads come from word-of-mouth, reputation and our established track record. Instead, we focus on delivering prompt and quality service to our customers. Going forward, we intend to aggressively increase our sales and marketing efforts through placing more advertisements in magazines, social media and websites and participating in motor roadshows to showcase the products that we provide, in particular PV electronic accessories to appeal to our retail customers. We intend to improve our branding strategies and we intend to appoint an external consultant in this regard. See “Future Plans and [REDACTED]” in this document for further information on our plan on strengthening sales and marketing efforts.

BUSINESS

We believe the maintenance of long term business relationships with our customers is crucial to the success of our business and place great emphasis on customer satisfaction. Our senior management team is responsible for the sales and promotion of our Group’s products, following up with customers’ purchase orders, formulating sales plans and policies, setting prices within the price range set out by our Group, providing after-sales service, and managing and maintaining a close client relationship.

EMPLOYEES

We view our employees as being critical to the continued success of our business. We allocate resources for training and development for all our employees.

As at 31 December 2015 and 2016, we had a total of 48 and 51 employees respectively. As at the Latest Practicable Date, we have 52 employees, of which 23 are Singapore citizens and/or Singapore permanent residents. Of those employees who are not Singapore citizens or Singapore permanent residents, 29 were holders of work permits. All our employees work in Singapore, except for two part-time employees, the rest are employed on a full time basis and are not members of any labour union.

Based on the legal opinion issued by our Singapore Legal Advisers, as at the Latest Practicable Date, the aforesaid 29 holders of work permits are from approved source countries and have obtained the relevant work permit as required under the Employment of Foreign Manpower Act (Chapter 91A) of Singapore. Please refer to the section entitled “Regulatory Overview — Employment of Foreign Manpower” of this document for further details.

Function	Number of employees
Management and Sales and Marketing	6
Finance and Administrative	6
Product Testing and Quality Control ⁽¹⁾	3
Technicians	<u>37</u>
Total	<u><u>52</u></u>

Note:

(1) Employees in the product testing and quality control department are also technicians.

We believe that we have a strong working relationship with our employees. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant employee turnover, nor was there any incidence of strikes, work stoppages or significant employee disputes which materially affected our Group’s business.

Hiring

When hiring, we take into account factors such as our development strategies and expansion plans, industry trends and the labour market environment. We also look for candidates who possess experience relevant to our business and the particular positions we are looking to fill. We usually communicate

BUSINESS

internally on any open position to source for referral of any possible candidate and/or publish hiring information in the newspapers. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant difficulty in engaging new personnel.

Training

We provide on-the-job training to our employees to improve their skills and product knowledge as well as keep them updated on new developments. Our training covers topics such as product knowledge and servicing skills. We have in place a mentorship programme whereby senior staff are assigned to newcomers to train them for a short period upon them joining our Group.

Remuneration

We offer competitive remuneration packages. For our technicians in our PV leather upholstery and accessories business, we offer incentives in addition to their salary. We offer bonuses for all employees, provided their performance is satisfactory. We also believe in promoting internally as this promotes employee satisfaction and enables us to improve service quality to our customer and enjoy a low employee turnover rate. We review the performance of our employees on a regular basis for salary and promotion appraisals.

PROPERTIES

As at the Latest Practicable Date, we owned three properties and leased one property in Singapore.

Properties which we own

As at the Latest Practicable date, we owned three properties, details of which are set out in the table below:

<u>Address</u>	<u>Built-up area</u>	<u>Tenure</u>	<u>Use</u>
Block 3018, Bedok North Street 5, #02-07 Eastlink, Singapore 486132	191 sq.m.	30 years commencing 1 November 2002	Workshop/office
Block 3018, Bedok North Street 5, #02-08 Eastlink, Singapore 486132	191 sq.m.	30 years commencing 1 November 2002	Workshop/ showroom/ warehouse/office
Block 3018, Bedok North Street 5, #02-09 Eastlink, Singapore 486132	193 sq.m.	30 years commencing 1 November 2002	Warehouse/office

As no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets as at 31 December 2016, no valuation report for any of our property interests has been included in this document.

BUSINESS

Leased property

As at the Latest Practicable Date, we leased a unit at Block 3018, Bedok North Street 5, #02–06 Eastlink, Singapore 486132 from the Housing Development Board of Singapore with an aggregate area of approximately 191 sq.m. The leased premise is used as our warehouse and office. For the years ended 31 December 2015 and 2016, our property rental expenses accounted for approximately S\$33,636 and S\$36,076, respectively.

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

<u>Address</u>	<u>Built-up area</u>	<u>Term</u>	<u>Use</u>	<u>Rent (inclusive of service and conservancy charges and goods and services tax)</u>
Block 3018, Bedok North Street 5, #02–06 Eastlink, Singapore 486132	191 sq.m.	Period of three years commencing from 1 March 2016	Warehouse/office	1st year: S\$3,047 2nd year: S\$3,291 3rd year: S\$3,633

During the Track Record Period, we have not experienced any difficulty in renewing our lease.

RESEARCH AND DEVELOPMENT

We operate as a leading service provider in the passenger vehicle interior modification market and do not engage in and have not engaged in any significant research and development activity in the course of our business. During the Track Record Period, we did not incur any research and development expenses which would have had a material impact on our business, financial condition or results of operations.

COMPETITION

According to the Frost & Sullivan Report, the passenger vehicle interior modification market in Singapore is comparatively fragmented with the top five players accounting for approximately 41.8% of the market share in 2015. We were the leading service provider in PV interior modification market in Singapore with a market share of approximately 14.0% in 2015 in terms of sales revenue.

According to the Frost & Sullivan Report, the complex consumer demand and the requirement to have good connections with car dealers, among others, are the major market entry barriers to the passenger vehicle interior modification industry. Our Directors believe that our competitive strengths, in particular our established and proven track record and our long standing and well-established relationships with many of our customers and suppliers puts our Group in a good position to maintain our position as one of the leading players in the passenger vehicle interior modification market in Singapore.

For further details on the competitive landscape of the passenger vehicle interior modification market in Singapore, please refer to the section entitled “Industry Overview — Competitive Landscape of Singapore Passenger Vehicle Interior Modification Market” of this document.

BUSINESS

INSURANCE

In order to cover our Group from liability, we maintain policies to such extent that we consider adequate for our operations. We evaluate from time to time the scope and amount of coverage based on our past experience and prevailing industry standards. As at the Latest Practicable Date, we carry (i) public liability insurance that covers liability due to any injury or loss or damage to property that may occur in connection with our business; (ii) fire insurance which covers risk of losses due to fire at our workshops; (iii) work injury compensation insurance for our employees as required under the applicable laws and regulations in Singapore; (iv) product liability insurance for losses that may occur due to our leather upholstery products or the electronic accessories that we sell and install; and (v) medical insurance for all our work permit holders as required under the applicable laws and regulations in Singapore. We believe our insurance coverage to be adequate and in line with industry practices in Singapore. For risk associate with our insurance coverage, please refer to “Risk Factors — Risks Relating to Our Business — We maintain limited insurance coverage.” of this document.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have not made any claim on any of our insurance policies.

INTELLECTUAL PROPERTY RIGHTS

Trademark

As at the Latest Practicable Date, our Group is the registered owner of one trademark in Singapore and applying for the registration of two other trademarks in Hong Kong and one trademark in Singapore. Details of such trademarks are set out in the paragraph headed “Intellectual property rights of our Group” in Appendix IV to this document.

Domain name

As at the Latest Practicable Date, our Group is the registered owner of one domain name, being www.thetomogroup.com. Details of the domain name are set out in the paragraph headed “Intellectual property rights of our Group” in Appendix IV to this document.

LICENCES AND PERMITS

The following table sets out a summary of all the material licences and permits we have obtained in relation to our business operations as at the Latest Practicable Date:

<u>Licence</u>	<u>Licensing body</u>	<u>Validity period</u>	<u>Description</u>	<u>Licence holder</u>
Factory notification	MOM	There is no expiry date to the factory notification, however, we are required to make the applicable Factory Notifications (as defined herein) to MOM from time to time ⁽¹⁾	A notification required under the WSH Factories Regulations in respect of our operations at Block 3018, Bedok North Street 5, #02-06 to #02-09 Eastlink, Singapore 486132	TOMO-CSE Autotrim Pte Ltd

BUSINESS

Note:

- (1) See section headed “Regulatory Overview — Workplace Safety and Health (Registration of Factories) Regulations 2008” of this document for further details.

For the laws and regulations governing the licences and permits of our Group please refer to the section entitled “Regulatory Overview” of this document.

Based on the legal opinion issued by our Singapore Legal Advisers, as at the Latest Practicable Date, we have obtained all licences, approvals and permits from the relevant governmental authorities which are material for our business operations in Singapore.

WORK SAFETY AND ENVIRONMENTAL MATTERS

Our operations are subject to regulations and periodic examinations by local work safety authorities in Singapore. If we fail to comply with such laws and regulations, we may be subject to penalties, including but not limited to fines, orders or variation or revocation of relevant approvals, permit or licences. We are fully committed to providing a safe and healthy environment for our employees. We adopt a workplace safety and health policy which includes work safety procedures such as emergency responses and use of protective equipment. We have also implemented a risk management plan in accordance with the Workplace Safety and Health (Risk Management) Regulation, which includes risks assessment and risks prevention at our workshop, and to ensure safety measures and policies are in place. During the Track Record Period, we had no material safety incidents. Based on the legal opinion issued by our Singapore Legal Advisers, as at the Latest Practicable Date, we have obtained all licences, permits and approvals which are material for the conduct of our business operations under the applicable laws, rules or regulations in Singapore.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there was no litigation or arbitration proceeding pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group’s financial condition or results of operations. Our Directors confirm that we had complied with all applicable laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

In the course of conducting our business, we are exposed to various types of risks, which are further elaborated in the section entitled “Risk Factors” of this document. To ensure effective risk management, we have implemented procedures and policies such as the following:

Board and audit committee

Our Board oversees and manages the overall risks associated with our business. 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. Clarence Tan Kum Wah, Mr. Lim Cher Hong and Mr. Gary Chan Ka Leung. For the qualifications and experience of the members of the audit committee, please refer to the section entitled “Directors,

BUSINESS

Senior Management and Employees” of this document. We have also prepared written terms of reference in compliance with the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

Internal Control

Our Group has established internal control systems covering corporate governance, financial reporting, revenue, expenditure management, human resources, treasury and general computer controls. In December 2016, we have procured a detailed evaluation and review of our internal control system and have enhanced our internal control system in accordance with the findings of such review. Our Directors believe that the current internal control system is appropriate for our business operations. Our Board will regularly review the administration and the adequacy of our internal system and develop and revise our internal control system to later for our expansion.

INTERNAL CONTROL MEASURES

In order to ensure future compliance with applicable laws, regulations and related policies, we have adopted an internal control policy and the following measures:

- (i) our Directors have attended trainings conducted by our Hong Kong legal advisers, Robertsons, on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the GEM Listing Rules and our Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;
- (ii) our Group has appointed Fortune Financial Capital Limited 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 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 and other applicable laws, rules and regulations;
- (iv) our Group has also established a corporate governance committee to monitor ongoing corporate governance and to ensure that the principles set out in Appendix 15 to the GEM Listing Rules are followed and complied with; and
- (v) our Group will from time to time, appoint external legal advisers, where applicable, to advise on compliance with and provide us with updates on the changes in the GEM Listing Rules and the applicable laws, regulations and rules from time to time to see if any change is required to be made with our operations and/or internal control policy.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will hold/be interested in [REDACTED] Shares, representing [REDACTED]% in aggregate of the total issued share capital of our Company. Ms. Lee and Mr. David Siew (through TOMO Ventures) will each hold 51% and 49% respective attributable interest of our Company’s share capital and in aggregate control [REDACTED]% of the Shares in issue. As such, Ms. Lee and Mr. David Siew will continue to remain as the dominating group of Shareholders which would continue to hold a controlling interest in our Company upon completion of the [REDACTED] and the [REDACTED]. Further, Ms. Lee and Mr. David Siew are spouses, they are and will be acting in concert.

Our Directors, to the best of their knowledge, information and belief, have confirmed that, none of the Controlling Shareholders, the Substantial Shareholders, our Directors and their respective associates is interested in any business which competes, or may compete, directly or indirectly, with the business of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Management independence

Our Board and members of our senior management have functions that are independent from our Controlling Shareholders and their respective associates. Our Board has six Directors comprising three executive Directors and three independent non-executive Directors.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum. In addition, our Company has an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the [REDACTED].

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities. For instance, we have our own capabilities and personnel to perform all essential operational functions, including management and sales and marketing, finance and administrative as well as Technicians. In particular, we are led by a management team with extensive experience in the passenger vehicle leather upholstery and electronic accessories industry in Singapore. Each of Ms. Lee and Mr. David Siew, our executive Directors, has around 30 years of experience in the industry. Our Group had not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their close associates, during the Track Record Period. Our Group has also established a set of internal controls procedures to facilitate the effective operation of our business.

Our suppliers are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their close associates and have our independent access to our suppliers for the provision of services and materials.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders 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 the Latest Practicable Date, our Group had released all the personal guarantees given by Ms. Lee and Mr. David Siew under the banking facilities and replaced such guarantees by corporate guarantee from our Group. In view of our Group’s internal resources and the estimated [REDACTED] from the [REDACTED], our Directors believe that our Group will have sufficient capital for our financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon the [REDACTED], our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders (each a “**Covenantor**” and collectively, the “**Covenantors**”) have entered into the Deed of Non-competition in favour of our Company, under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warranted and undertook to our Company (for itself and as trustee for each of its subsidiaries) that:

- (a) he/she/it will not, and will procure any Covenantor and his/her/its close associates (each a “**Controlled Person**” and collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-Competition, shall not include any member of our Group) (the “**Controlled Company**”) not to, except through any member of our Group, directly or indirectly (whether on our own account or with each other or in conjunction with or on behalf of any person or company, or as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or acquire or hold any rights or be interested or otherwise involved in any business that is

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

similar to or in competition directly or indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward or otherwise) with any business currently and from time to time engaged by our Group in Hong Kong and any other country or jurisdiction to which our Group carries on our business from time to time (the “**Restricted Business**”);

- (b) if each of the Covenantors is offered or becomes aware of any project or business opportunity relating to the Restricted Business (the “**New Business Opportunity**”) whether directly or indirectly, he/she/it (i) shall promptly notify our Company of such New Business Opportunity in writing, refer the same to our Company for consideration first and provide such information as may be reasonably required by our Company to make an informed assessment of such New Business Opportunity; and (ii) shall not, and shall procure that the Controlled Persons or Controlled Company shall not, invest or participate in any such New Business Opportunity unless such New Business Opportunity shall have been declined by our Company and the principal terms of which he/she/it and/or his/her/its close associates invest or participate in are no more favourable than those made available to our Company.

Our independent non-executive Directors will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of our desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within 30 business days (the “**30-day Offering Period**”) of receipt of notice from our Controlling Shareholders, our Controlling Shareholders and/or his/her/its associates shall be permitted to invest in or participate in the New Business Opportunity on his/her/its own accord. With respect to the 30-day Offering Period, our Directors consider that such period is adequate for our Company to assess any New Business Opportunity. In the event that our Company requires additional time to assess the New Business Opportunity, our Company may give a written notice to our Controlling Shareholders during the 30-day Offering Period and our Controlling Shareholders agree to extend the period to a maximum of 60 business days.

The Deed of Non-competition does not apply to the holding of or interests in shares or other securities by any of the Covenantors and/or his/her/its close associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange as specified under the SFO and either:

- (a) the relevant Restricted Business (and assets relating thereto) accounts for less than 10% of the relevant consolidated turnover or consolidated assets of the company in question, as shown in the latest audited accounts of the company in question; or
- (b) the total number of the shares held by any of the Covenantors and his/her/its close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that any of the Covenantors and his/her/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantors and his/her/its close associates together hold.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Deed of Non-competition will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earliest of the date on which (i) such Covenantor, being a Controlling Shareholder, individually or collectively with any other Covenantor(s) ceases to be interested, directly or indirectly, in 30% or more of the issued Shares, or otherwise ceased to be regarded as controlling shareholder (as defined under the GEM Listing Rules from time to time) of our Company; or (ii) the Shares cease to be listed and traded on GEM or other recognised stock exchange.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (a) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless a majority of our independent non-executive Directors expressly requested him/her to attend;
- (b) our independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (c) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (d) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (e) our Controlling Shareholders will make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company;
- (f) our Company has appointed Fortune Financial Capital Limited as our compliance adviser to advise on compliance matters in accordance with the GEM Listing Rules;
- (g) our independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and
- (h) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of our Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders’ approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Board consists of six Directors, including three executive Directors and three independent non-executive Directors. The following table sets out the information regarding our Directors and senior management:

Directors

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to our Group)
Executive Directors						
Mr. Siew Yew Khuen (蕭耀權先生)	60	Chairman of the Board, executive Director and chief executive officer	27 October 1995	16 January 2017	Responsible for overall management, strategic direction and business development of our Group; serves on remuneration and corporate governance committee	Spouse of Ms. Lee and brother of Mr. Richard Siew
Ms. Lee Lai Fong (李麗芳女士)	57	Executive Director and director of finance and administration	27 October 1995	16 January 2017	Responsible for finance, treasury and administration of our Group; serves on remuneration and corporate governance committee	Spouse of Mr. David Siew and sister-in-law of Mr. Richard Siew
Mr. Siew Yew Wai (蕭耀威先生)	54	Executive Director and director of sales and marketing	19 January 2015	16 January 2017	Responsible for sales and marketing and promotions of our Group; serves on nomination and corporate governance committee	Brother of Mr. David Siew and brother-in-law of Ms. Lee
Independent non-executive Directors						
Mr. Clarence Tan Kum Wah (陳錦華先生)	50	Independent non-executive Director	[●] 2017	[●] 2017	Responsible for providing independent judgement on strategy, performance, resources and standard of conduct of our Group as well as advising on corporate governance, connected transactions and remuneration of Directors and senior management and nomination of Directors; serves on audit and nomination committee	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to our Group)
Mr. Lim Cher Hong (林芝鋒先生)	49	Independent non-executive Director	[●] 2017	[●] 2017	Responsible for providing independent judgement on strategy, performance, resources and standard of conduct of our Group as well as advising on corporate governance, connected transactions and remuneration of Directors and senior management and nomination of Directors, serving as the Chairman of the Remuneration Committee; serves on audit and remuneration committee	N/A
Mr. Gary Chan Ka Leung (陳嘉樑先生)	44	Independent non-executive Director	[●] 2017	[●] 2017	Responsible for providing independent judgement on strategy, performance, resources and standard of conduct of our Group as well as advising on corporate governance, connected transactions and remuneration of Directors and senior management and nomination of Directors; serves on audit and nomination committee	N/A

Senior management

Name	Age	Position	Date of joining our Group	Date of appointment to the current position	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to our Group)
Mr. Philip Tan Eng Choon	69	Sales and Marketing Manager	1 July 1996	1 July 1996	Responsible for sales and marketing and servicing of customer accounts of our Group	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of joining our Group	Date of appointment to the current position	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to our Group)
Mr. Ong Kim Hoi (王金海先生)	41	Business Development Manager	1 December 2011	1 December 2011	Responsible for product procurement for the electronic accessories business, and overseeing quality control and testing of new electronic accessories	N/A
Mr. Alan Hoh Chan Ming (何贊明先生)	30	Group Financial Controller	12 December 2016	12 December 2016	Responsible for financial planning and control, accounting operations, and internal control systems of our Group	N/A

DIRECTORS

Executive Directors

Mr. Siew Yew Khuen (蕭耀權先生), aged 60, is a co-founder of our Group. He was appointed as a Director on 16 January 2017 and re-designated as a chairman, executive Director and chief executive officer of our Company on 8 March 2017. Mr. David Siew has been the director of TOMO-CSE since its inception in October 1995, where he oversees all aspects of the operations of our Group including sales/marketing, product planning/development, merchandising, strategic planning, corporate policies and new business initiative.

Mr. David Siew is an entrepreneur with over 35 years of start-up and business operational experience, including experience in the supply, manufacture and installation of passenger vehicle leather upholstery, as well as supply and installation of electronic accessories. Under his leadership, our Group has become the number one passenger vehicle interior modification service provider in terms of revenue in Singapore in 2015 (source: Frost & Sullivan Report), dealing in leather upholstery and electronic accessories (such as systems integration for digital video recorders, navigation systems, in-car multi-media entertainment system, reverse camera, front and rear parking sensors, etc).

In 1980, Mr. David Siew co-founded Tomo General Contractors Pte Ltd (“**Tomo GC**”) which principally supplied passenger vehicle accessories products and provided installation services in later years. In 1986, he co-founded Tomo Auto Sound Pte. Ltd. (“**Tomo Sound**”) with Ms. Lee to supply passenger vehicle accessories to authorised passenger vehicle distributors and dealers in Singapore. In 1990, he co-founded Tomo Auto Leather Pte Ltd (“**Tomo Leather**”) to supply leather upholstery products and installation services to authorised passenger vehicle distributors and dealers in Singapore. During the years leading up to the incorporation of TOMO-CSE, Mr. David Siew had established strong business relationships with the numerous authorised passenger vehicle distributors and dealers in Singapore. In October 1995, Mr. David Siew and Ms. Lee co-founded TOMO-CSE to supply and install passenger vehicle leather upholstery, and to supply and install passenger vehicle electronic accessories for the Singaporean market. In 1996, Mr. David Siew sold his interest in Tomo Leather and in 2001, both Tomo GC and Tomo Sound were voluntarily dissolved as Mr. David Siew decided to focus on the business operations of TOMO-CSE to carry-on the business in supplying passenger vehicle leather upholstery and electronic accessories.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. David Siew was a director of the following companies during or within 12 months when they were dissolved. As far as he was aware, the dissolution of these companies has not resulted in any liability or obligation imposed against him. The relevant details are as follows:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Nature of business</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
Eurostyle Autotrim Pte Ltd (formerly known as Tomo Auto Sound Pte. Ltd.)	Singapore	General wholesale trade; repair and audio and video equipment	7 August 2009	Struck off
Hedge Corporation S Pte Ltd	Singapore	Iron and steel foundries	30 July 1999	Struck off
Tomo General Contractors Pte Ltd	Singapore	Repair and restoration of cabinets, furniture, upholstery, window shades and other fixtures	4 January 2008	Struck off

Mr. David Siew has confirmed that each of the above companies was solvent at the time of their respective dissolution and so far as he was aware no claim has been or will be made against him as a result of such dissolution.

Mr. David Siew has not held any directorship in any listed companies in the last three years. Save as being the spouse of Ms. Lee and the brother of Mr. Richard Siew, Mr. David Siew does not have any relationship with any of the Directors.

Ms. Lee Lai Fong (李麗芳女士), aged 57, is a co-founder of our Group. She was appointed as a Director on 16 January 2017 and re-designated as an executive Director of our Company on 8 March 2017. She is currently the director of finance and administration at TOMO-CSE, where she is responsible for finance, treasury and administration matters of our Group. Ms. Lee is an entrepreneur with over 30 years of start-up and business operational experience, including in the manufacture, supply and installation of passenger vehicle leather upholstery, and the supply and installation of electronic accessories.

In 1980, Ms. Lee joined Tomo GC as a senior manager. In 1986, she co-founded Tomo Sound with Mr. David Siew to supply passenger vehicle accessories to major car dealers in Singapore. In October 1995, Ms. Lee and Mr. David Siew co-founded TOMO-CSE to supply and install passenger vehicle leather upholstery, and to supply and install electronic accessories to the Singapore market.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Lee was a director of the following companies during or within 12 months when they were dissolved. As far as she was aware, the dissolution of these companies has not resulted in any liability or obligation imposed against her. The relevant details are as follows:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Nature of business</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
Eurostyle Autotrim Pte Ltd (formerly known as TOMO Auto Sound Pte. Ltd.)	Singapore	General wholesale trade; repair and audio and video equipment	7 August 2009	Struck off
Hedge Corporation S Pte Ltd	Singapore	Iron and steel foundries	30 July 1999	Struck off
Tomo General Contractors Pte Ltd	Singapore	Repair and restoration of cabinets, furniture, upholstery, window shades and other fixtures	4 January 2008	Struck off

Ms. Lee has confirmed that each of the above companies was solvent at the time of their respective dissolution and so far as she was aware, no claim has been or will be made against her as a result of such dissolution.

Ms. Lee has not held any directorship in any listed companies in the last three years. Save as being the spouse of Ms. David Siew and sister-in-law of Mr. Richard Siew, Ms. Lee does not have any relationship with any of the Directors.

Mr. Siew Yew Wai (蕭耀威先生), aged 54, was appointed as a Director on 16 January 2017 and re-designated as an executive Director of our Company on 8 March 2017. Mr. Richard Siew is currently the director of sales and marketing at TOMO-CSE.

Mr. Richard Siew started his career in June 1987 at NCS Pte. Ltd. (“NCS”), a subsidiary of Singapore Telecommunications Limited, in Singapore as a systems analyst cum programmer, where he was first deployed to the Ministry of Education, Singapore to assist in the development of the mainframe computer programming of various application systems. In June 1990, he was deployed to the National Computer Board as an information technology consultant where he advised and assisted Singapore’s small and medium enterprises to automate and improve productivity by utilising information technology. In April 1997, Mr. Richard Siew returned to NCS as an account director where he was responsible for the business development and sales of information and communications technology projects and services to the higher education sector. In January 2015, he joined the Group to assist Mr. David Siew to further expand our Group’s businesses.

Mr. Richard Siew obtained a bachelor of science degree in information systems from the National University of Singapore in June 1987.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Richard Siew has not held any directorship in any listed companies in the last three years. Save as being the brother of Mr. David Siew and brother-in-law of Ms. Lee, Mr. Richard Siew does not have any relationship with any of the Directors.

Independent non-executive Directors

Mr. Clarence Tan Kum Wah (陳錦華先生) (“**Mr. Tan**”), 50, has been appointed as an independent non-executive director on [●]. Since January 2017, he has been the non-executive director of GlobalRoam Group Ltd (“**GlobalRoam**”, together with its subsidiaries “**GR Group**”), a group that primarily provides integrated communications technology to the telecommunication companies in the Southeast Asian region. GlobalRoam was the first company in Singapore to be traded on the over-the-counter exchange managed by Phillips Securities Pte. Ltd. in 2007. Mr. Tan founded GR Group in January 2001 and had served as its chief executive officer since its inception till July 2016, when he relinquished his role and was re-designated as executive deputy chairman until December 2016.

Concurrently, since October 2016, Mr. Tan has been a director of STT Connect Pte. Ltd., a private cloud service provider and a joint venture between STT GDC Pte. Ltd. (wholly-owned by Singapore Technologies Telemedia Pte. Ltd.) and GR Group. Since December 2016, Mr. Tan has also been a director of ICMG Financial Services Pte. Ltd.; a joint venture between ICMG Co, Ltd., ACA Partners Pte. Ltd. and ACA Inc.; a management consultancy company that offers merger and acquisition and alliance services to Asian and Japanese enterprises. Prior to GR Group, Mr. Tan was a director of Pinnz Pte Ltd, the holding company of its subsidiaries including Pinnz Networks (HK) Limited and Pinnz Network Pte Ltd, from August 1999 to its dissolution in June 2007. Pinnz Pte Ltd was a telecommunications company which provided services such as voice over internet protocol services.

Apart from his career commitments, Mr. Tan also holds key positions in other areas of society. He was awarded a Phoenix Mentor by The Phoenix Award Committee in 2002, which his main role as a Phoenix Mentor then was to mentor founders of start-ups. He had served in the Singapore People’s Association Sembawang Community Club Management Community from 2012 to 2016 and currently holds the rank of Colonel in the national service unit under the Guards formation in the Singapore Armed Forces (“**SAF**”). Mr. Tan was bestowed the honour and privilege to be the Parade Commander for Singapore’s National Day Parade in 2012 and was accorded The Commendation Medal (Military) and The Long Service Medal (Military), in 2010 and 2015 respectively, for his distinguished service in the SAF.

Mr. Tan obtained a bachelor of science degree in information technology from the University of Southern Queensland in March 1994 through long distance learning conducted in Singapore and a master’s degree in business administration from the National University of Singapore in October 2004.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Tan was a director or manager of the following companies or business during or within 12 months when they were dissolved or terminated. As far as he was aware, the dissolution and termination of these companies and businesses have not resulted in any liability or obligation imposed against him. The relevant details are as follows:

<u>Name of company/ business</u>	<u>Place of incorporation/ principal place of business</u>	<u>Nature of business</u>	<u>Date of commencement of winding up petition or date on which winding up resolution was passed/date of dissolution</u>	<u>Means of dissolution</u>
Asiamall	Singapore	Wholesale of computer software; manufacture/repair of computer peripheral equipment	Not applicable/ 23 March 1998	Termination
Comutech Peripherals	Singapore	Wholesale of computer hardware, peripheral equipment and computer accessories	Not applicable/ 28 May 1994	Termination
Cybernetics Communications Pte Ltd	Singapore	Internet access providers; engineering design and consultancy activities	Not applicable/ 22 February 2007	Struck off
Globalpeer	Singapore	Business and management consultancy services; real estate activities	Not applicable/ 24 November 2013	Termination
Globalroam (International) Limited	Singapore	Telecommunications reseller and provider	Not applicable/ 22 February 2007	Struck off
Niin Pte Ltd	Singapore	Manufacture of I.T. products and services; service provider of internet related services	Not applicable/ 8 December 2010	Struck off
Pinnz Networks (HK) Limited (<i>Note 1</i>)	Hong Kong	Telecommunication services	26 March 2002/ 14 February 2007	Compulsory winding up
Pinnz Networks Pte Ltd (<i>Note 1</i>)	Singapore	Telecommunication services	20 August 2002/ 9 June 2007	Dissolved — creditor’s voluntary winding up
Pinnz Pte Ltd (<i>Note 1</i>)	Singapore	Holding company	8 August 2002/ 9 June 2007	Dissolved — creditor’s voluntary winding up
Primecom	Singapore	Wholesale of computer hardware and peripheral equipment	Not applicable/ 1 August 1994	Termination
Singmall Innovation	Singapore	Wholesale of computer software; manufacture/repair of computer peripheral equipment	Not applicable/ 23 March 1998	Termination
Sunnyline	Singapore	General wholesale trade	Not applicable/ 17 July 1994	Termination

Note 1: Pinnz Pte Ltd was the ultimate holding company of both Pinnz Networks (HK) Limited and Pinnz Networks Pte Ltd. Although Mr. Tan was a director of the three companies at the relevant time or within twelve months prior to the respective winding-up proceedings, he was not involved in the day-to-day management or operations in any of them. Due to the cessation of funding for Pinnz Pte Ltd in 2001, Pinnz Networks (HK) Limited and Pinnz Networks Pte Ltd were wound up as they could not continue their businesses by reason of their lack of working capital.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Tan has confirmed that each of the above companies, other than Pinnz Networks (HK) Limited, Pinnz Networks Pte Ltd and Pinnz Pte Ltd, was solvent at the time of their respective dissolution. Further, as far as Mr. Tan was aware, no claim has been or will be made against him as a result of such dissolution.

Mr. Tan has not been a director of any publicly listed company in the three years immediately preceding the Latest Practicable Date.

Mr. Lim Cher Hong (林芝鋒先生) (“Mr. Lim”), aged 49, was appointed as an independent non-executive Director on [●]. Mr. Lim is an entrepreneur with 24 years of experience in the information technology (“IT”) industry with expertise in designing, developing, deploying, enhancing and maintaining large scale enterprise IT systems. In 1997, Mr. Lim co-founded RSTN Consulting Pte. Ltd. (“RSTN”) and has been the group chief executive officer since its inception, where he has successfully grown the company from the beginning of four founders to its current span of around 180 full-time and 460 contract staff across nine countries. RSTN specialises in assisting large multinationals with global deployments of business process management, enterprise content management, document imaging and commission management solutions for clients in industries such as insurance and banking.

Prior to founding RSTN, Mr. Lim was the head of the imaging technology division for Asiasoft (S) Pte Ltd (“Asiasoft”) between January 1993 and March 1999, where he helped Asiasoft established its core business of document management and workflow in the South East Asian region, especially in Indonesia, where he assisted to grow the business to become a one of the main providers of document and workflow solutions in Indonesia at the time. Mr. Lim was conferred the top salesman award by the Singapore National Achievers Congress in 1997 in recognition of his sales achievement at Asiasoft.

Mr. Lim was the chairman of Young PAP (youth wing of the ruling People’s Action Party) Serangoon branch in Singapore from 2002 to 2006. Mr. Lim had served as the vice chairman of the Singapore Enterprise Chapter of the Singapore Infocomm Technology Federation from 2009 to 2013. He was appointed as the chief consultant for culture and trade by the Shandong Qufu People’s Government of the People’s Republic of China in 2010.

Mr. Lim obtained a bachelor’s degree in business administration from the Royal Melbourne Institute of Technology in Australia in August 1993 and a master of science degree in knowledge management from the Singapore Nanyang Technological University in June 2008, which also saw him awarded the LexisNexis Gold Medal for the academic year 2007 to 2008 for his outstanding academic records of sufficient merit in the programme.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lim was a director of the following companies during or within 12 months when they were dissolved. As far as he was aware, the dissolution of these companies has not resulted in any liability or obligation imposed against him. The relevant details are as follows:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Nature of business</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
Global Softpro Consulting Pte Ltd	Singapore	Hardware and software consultancy service	28 March 2002	Struck off
Redefine Holdings Pte Ltd	Singapore	Amusement and recreational activities	4 April 2008	Struck off

Mr. Lim has confirmed that each of the above companies was solvent at the time of their respective dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution.

Mr. Lim has not held any directorship in any listed companies in last three years.

Mr. Gary Chan Ka Leung (陳嘉樑先生) (“Mr. Chan”), aged 44, was appointed as an independent non-executive Director on [●]. Mr. Chan is a seasoned finance executive and an entrepreneur. He has advised companies across various disciplines and industries including consumer products and services, financial services, food and beverage, logistics, media, renewable energy, recruitment services, and technology. He joined CFO (HK) Limited, a company licensed to provide services of time-shared chief financial officers to client companies of The CFO Centre Group Limited in the Greater China region, in 2014 and is currently the Greater China chief executive officer.

Mr. Chan was also the corporate finance director of TNG (Asia) Limited, a financial technology company based in Hong Kong, between April 2015 and February 2017. He has assisted in the company’s successful application of the stored value facility license to the Hong Kong Monetary Authority (“HKMA”), with the license being granted in August 2016. During the process, Mr. Chan has overseen the process of fulfilling all the necessary business requirements set out by the HKMA including internal controls and placement of its senior management team.

From August 2009 to August 2013, Mr. Chan was a partner at Creat Capital Company Limited (“Creat”), a company that focuses on private equity investments. During his tenure, Mr. Chan reported to the board of directors and was involved in the origination of corporate advisory and corporate finance transactions for Creat.

Mr. Chan started his career with KPMG in Toronto, Canada in 1998 under that firm’s real estate practice. In January 2001, he joined Deloitte Touche Tohmatsu in Hong Kong as an accountant under that firm’s reorganisation services group and his last position held was manager before he moved to Deloitte & Touche Corporate Finance Ltd., a service company of Deloitte Touche Tohmatsu, as manager from June 2005 to March 2007. From March 2007 to December 2008 Mr. Chan assumed the position of an associate in the fixed income, currency and commodities division of Goldman Sachs (Asia) L.L.C. in Hong Kong.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chan obtained a bachelor’s degree in mathematics from the University of Waterloo in Ontario, Canada in May 1998 and a master’s degree in accounting from the same university in October 1998. He obtained his Chartered Accountant designation in Canada in 2000.

Mr. Chan has not been a director of any publicly listed company in the three years immediately preceding the Latest Practicable Date.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Philip Tan Eng Choon (“Mr. Philip Tan”), aged 69, has over 25 years of experience in sales and marketing of passenger vehicle accessories. He is currently the sales and marketing manager, responsible for sales and marketing of our Group’s products and services, as well as accounts servicing of our Group’s customers. In 1993, Mr. Philip Tan joined Tomo GC, a company co-founded by Mr. David Siew in 1980, and eventually joined our Group in 1996 when TOMO-CSE was founded by Mr. David Siew and Ms. Lee.

Mr. Ong Kim Hoi (王金海先生) (“Mr. Ong”), aged 41, has been the business development manager of our Group since December 2011. At TOMO-CSE, Mr. Ong is responsible for product development, evaluation and product testing and quality control of new products before our Group introduces them to the market. He assists the marketing team to study and evaluate our Group’s customers’ accessories requirement and works on the most suitable products for the vehicles. He works closely with the installation and aftersales team to ensure all new products are properly installed and have proper aftersales’ standard operating procedures.

Mr. Ong has over 10 years of experience in the sales, marketing and business development. Prior to joining our Group, between June 2001 and January 2004, Mr. Ong worked for Expeditors Singapore Pte Ltd as the System Support Supervisor; and between April 2004 and April 2006 as a technical specialist at Brother International Singapore Pte Ltd. In April 2006, Mr. Ong joined GRID Communications Pte Ltd, a subsidiary of SingTel Group, as Account Manager, Corporate Sales; in April 2009, he joined Nextan Pte Ltd as a business development manager; and in April 2010, he joined Asia GIS Pte. Ltd. as the Sales & Marketing Manager, responsible for business and accounts development.

Mr. Ong obtained a diploma in Information Technologies from the Temasek Polytechnic in Singapore in December 1998.

Mr. Alan Hoh Chan Ming (何贊明先生) (“Mr. Hoh”), aged 30, joined our Group in December 2016 as Group Financial Controller and is responsible for financial planning & control, accounting operations and internal control systems of our Group. Prior to joining our Group, Mr. Hoh was the Group Finance Manager at Sincap Group Limited, a company listed on the Singapore Stock Exchange (SGX:5UN), engaged in the mineral trading and logistic management, where he supervised the accounting operations in Singapore and Indonesia.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Hoh started his career in July 2007 as an Account Assistant at Traders Hotel Kuala Lumpur, Malaysia. Between January 2011 and November 2015, Mr. Hoh was an auditor at Baker Tilly TFW, Singapore (“**Baker**”), was gradually promoted from Associate, Senior Associate and to Senior in the Assurance Department, where he serviced clients in the hotel, manufacturing of customer/industrial products, construction, media & entertainment, information technologies, and services sectors on auditing and accountancy procedures. At Baker, Mr. Hoh was a team member who worked on a successful IPO on the Singapore Stock Exchange. Between November 2015 and October 2016, Mr. Hoh was the Group Finance Manager at Sinopipe Holdings Limited, a company listed on the Singapore Stock Exchange (SGX:X06), engaged in the production and sales of plastic pipes and fittings, where he served the managing role on monthly consolidation, audit, corporate communications and compliance matters.

Mr. Hoh is a member of the Institute of Singapore Chartered Accountants and a member of the Association of Chartered Certified Accountants.

COMPANY SECRETARY

Mr. Man Yun Wah (文潤華先生) (“**Mr. Man**”), aged 34, was appointed as our company secretary on 1 February 2017.

He has been appointed as a director of RHT Corporate Advisory (HK) Limited, a company which provides company secretarial services, since August 2013. His major responsibility is to assist listed companies in professional company secretarial work. Before joining RHT Corporate Advisory (HK) Limited, he worked in Dominic K.F. Chan & Co. from August 2008 to July 2015 where he was responsible for handling company secretarial matters.

Mr. Man is an associate member of The Hong Kong Institute of Chartered Secretaries. He graduated from the University of Huddersfield in England with Bachelor’s of Arts degree in business administration and management in March 2010. He also received a degree of Master of Corporate Governance from the Open University of Hong Kong in November 2014.

Mr. Man has not been a director of any publicly listed company in the three years immediately preceding the Latest Practicable Date.

COMPLIANCE OFFICER

Ms. Lee serves as the compliance officer of our Company for the purpose of the GEM Listing Rules.

REMUNERATION POLICY

The aggregate amounts of remuneration of our Directors for the years ended 31 December 2015 and 2016 were S\$591,000 and S\$615,000 respectively. Details of the arrangement for remuneration are set out in note 10 to the Accountant’s Report in Appendix I to this document. Under such arrangement and pursuant to our Directors’ service contracts and letters of appointment referred to in the paragraph headed “Further Information about Directors, Management and Staff — 9. Directors — (a) Particulars of

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

service contracts and letters of appointment” in Appendix IV to this document, the aggregate amount of Directors’ fee and other emoluments payable to our Directors (excluding any discretionary bonuses) for the year ending 31 December 2017 is estimated to be approximately S\$724,600.

Our Group’s principal policies concerning remuneration of Directors or staff of high calibre are determined based on the relevant Director’s or staff’s duties, responsibilities, experience and skills. Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to our operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management. Our Company regularly provides discretionary bonuses to our senior management and key employees as incentive.

Our Company has conditionally adopted the Share Option Scheme on [●] to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Please see the paragraph headed “Further Information about Directors, Management and Staff — 14. Share Option Scheme” in Appendix IV to this document for further details of the Share Option Scheme.

After [REDACTED], our remuneration committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group. During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

EMPLOYEES

We recognise the importance of having a good relationship with our employees. The remuneration payable to the employees include salaries, allowances incentives and bonuses.

We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes.

BOARD COMMITTEES

The audit committee, remuneration committee, nomination committee and corporate governance committee of our Company were approved to be established by resolutions passed by our Board on [●]. Each of the four committees has written terms of reference. The functions of the four committees are summarised as follows:

Audit Committee

Our Company established an audit committee by a resolution of our Board passed on [●] with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code and Corporate Governance Report (“CG Code”) as set out in Appendix 15 to the GEM Listing Rules. The audit committee comprises of three independent non-executive Directors: Mr. Gary Chan Ka Leung, Mr. Clarence Tan Kum Wah and Mr. Lim Cher Hong. Mr. Chan was appointed to serve as the chairman of our audit committee. The primary duties of our audit committee are mainly to

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

Nomination Committee

Our Company established a nomination committee by a resolution of our Board passed on [●]. The nomination committee comprises of an executive Director: Mr. Richard Siew and two independent non-executive Directors: Mr. Clarence Tan Kum Wah and Mr. Gary Chan Ka Leung. Mr. Tan was appointed as the chairman of our nomination committee. Our nomination committee has written terms of reference in compliance with the CG Code. The primary functions of our nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement our Company’s corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of our independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of our chairman and the chief executive officer.

Remuneration Committee

Our Company established a remuneration committee by a resolution of our Board passed on [●] with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. The remuneration committee comprises of two executive Directors: Mr. David Siew and Ms. Lee, and one independent non-executive Director: Mr. Lim Cher Hong. Mr. Lim was appointed as the chairman of our remuneration committee. The primary functions of our remuneration committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration.

Corporate Governance Committee

Our Company established a corporate governance committee by a resolution of our Board passed on [●] with written terms of reference written terms of reference in compliance with the CG Code. The corporate governance committee comprises of three executive Directors: Mr. David Siew, Ms. Lee and Mr. Richard Siew. Ms. Lee was appointed as the chairlady of the corporate governance committee. The primary functions of our corporate governance committee are to keep the effectiveness of the corporate governance and system of internal controls of our Group. Our corporate governance committee shall introduce and propose relevant principles concerning corporate governance and to review and determine the corporate governance policy, so as to enhance and to ensure a high standard of corporate governance practices in our Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company has complied with the code provisions of the CG Code as set out in Appendix 15 of the GEM Listing Rules with the exception of code provision A.2.1, which requires the roles of chairman and chief executive be held by different individuals.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. David Siew currently holds both positions. Throughout our business history, Mr. David Siew, as a co-founder and Controlling Shareholder of our Group, has held the key leadership position of our Group and has been deeply involved in the formulation of corporate strategies and management of the business and operations of our Group. Taking into account the consistent leadership within our Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, our Directors, including our independent non-executive Directors, consider that Mr. David Siew is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Group and our Shareholders as a whole.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the [REDACTED].

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed Fortune Financial Capital Limited as the compliance adviser (the “**Compliance Adviser**”). The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Compliance Adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular, or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry to our Company in accordance with Rule 17.11 of the GEM Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), based on the information available on the Latest Practicable Date, the following persons/entities will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be 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 member of our Group:

Name	Capacity/Nature of interest	Number of Shares held as at the date of the application proof	Percentage of shareholding as at the date of the application proof	Number of Shares held after the [REDACTED] <i>Note 1</i>	Percentage of shareholding after the [REDACTED]
Ms. Lee	Interest in controlled corporation ^{Note 2}	1	[REDACTED]%	[REDACTED] Shares (L)	[REDACTED]%
Mr. David Siew	Interest in controlled corporation ^{Note 2}	1	[REDACTED]%	[REDACTED] Shares (L)	[REDACTED]%
TOMO Ventures	Beneficial owner	1	[REDACTED]%	[REDACTED] Shares (L)	[REDACTED]%

Notes:

- (1) The Letter “L” denotes the person’s long position in the relevant Shares.
- (2) The entire issued share capital of TOMO Ventures is legally and beneficially owned as to 51% by Ms. Lee and as to 49% by Mr. David Siew. Accordingly, Ms. Lee and Mr. David Siew are deemed to be interested in [REDACTED] Shares held by TOMO Ventures by virtue of the SFO. Ms. Lee and Mr. David Siew are spouses and are therefore deemed to be interested in all the Shares they are respectively interested in (by him/herself or through TOMO Ventures) pursuant to the SFO.

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

UNDERTAKINGS

Each of the Controlling Shareholders has given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the [REDACTED], the [REDACTED] (for themselves and on behalf of the [REDACTED]) and the Stock Exchange, details of which are set out under the section headed “[REDACTED] — Undertakings” of this document. The Controlling Shareholders have also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules.

SHARE CAPITAL

The authorised and issued share capital of our Company before and following the completion of the [REDACTED] and [REDACTED] is as follows:

	HK\$
<i>Authorised share capital:</i>	
<u>[REDACTED]</u> Shares	<u>[REDACTED]</u>
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>	
100 Shares in issue	1
[REDACTED] Shares to be issued pursuant to [REDACTED]	[REDACTED]
<u>[REDACTED]</u> New Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>
<u>[REDACTED]</u> Total	<u>[REDACTED]</u>

ASSUMPTIONS

The above table assumes that the [REDACTED] and the [REDACTED] become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or 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.

MINIMUM [REDACTED]

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the [REDACTED] and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of [REDACTED]% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The [REDACTED]s will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this document and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document save for the entitlement under the [REDACTED].

CIRCUMSTANCES WHERE MEETING OF OUR COMPANY ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles, details of which is set out in paragraph headed “2. Articles of Association — (e) Meetings of members — (iv) Notices of meetings and business to be conducted” in Appendix III to this document.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information — Further information about our company and its subsidiaries — 14. Share Option Scheme” in Appendix IV to this document.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the [REDACTED]” being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the [REDACTED]; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors as referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information — Further information about our Company and its subsidiaries — 3. Resolutions in writing of the sole Shareholder passed on [●]” in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the section headed “Structure and Conditions of the [REDACTED]” in this document being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase 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

SHARE CAPITAL

and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED] and the [REDACTED].

This mandate only relates to repurchases made on GEM, or on any other stock exchange on which the Shares are listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Statutory and General Information — Further information about our Company and its subsidiaries — 6. Repurchase by our Company of its own securities” in Appendix IV to this document.

The general mandates to issue and repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required the Articles or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information — Further information about our Company and its subsidiaries — 6. Repurchase by our Company of its own securities” in Appendix IV to this document.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountant’s Report in Appendix I to this document. Our Group’s combined financial statements have been prepared in accordance with the IFRSs. You should read the entire Accountant’s 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 document.

OVERVIEW

Our Group is principally engaged in the passenger vehicle (“PV”) leather upholstery business and electronic accessories business in Singapore. According to the Frost & Sullivan Report, we were the leading PV interior modification service provider in Singapore in 2015 in terms of sales revenue, with a market share of 14.0%. We also ranked first in both the PV leather upholstery and electronic accessories segments in Singapore by sales revenue in 2015. Our total revenue for the years ended 31 December 2015 and 2016 were approximately S\$11.5 million and S\$13.1 million, respectively. Our total gross profit for the years ended 31 December 2015 and 2016 were approximately S\$4.6 million and S\$5.2 million, respectively. We supply a wide range of PV leather upholstery and electronic accessories to authorised PV distributors and dealers, including various subsidiaries of Customer Group A who is one of the leading authorised PV distributors and dealers in Singapore. Revenue from Customer Group A accounted for approximately 79.5% and 78.1% of our total revenue for the years ended 31 December 2015 and 2016, respectively. Please also refer to the sections headed “Risk Factors — A substantial amount of our revenue is derived from sales to Customer Group A, our largest customer during the Track Record Period, and any decrease or loss of business with any of the Largest Customer’s SG Subsidiaries could materially and adversely affect our business, financial condition and results of operations” and “Business — Customers” of this document for further details.

For our leather upholstery business, we supply and install custom-fitted leather upholstery for PV seats. We also provide leather wrapping for other PV interior products such as door panels, head rests and arm rests. For the years ended 31 December 2015 and 2016, revenue generated from our leather upholstery business accounted for approximately 31.1% and 34.3%, respectively of our total revenue.

FINANCIAL INFORMATION

As for our electronic accessories business, it is divided into two sub-segments, namely (i) navigation and multimedia accessories; and (ii) safety and security accessories. Our navigation and multimedia accessories sub-segment is focused on the supply and installation of products such as navigation systems, head units and in-car entertainment systems, while our safety and security accessories sub-segment is focused on the supply and installation of products that improve driver and passenger safety and security, such as digital video recorders, reverse cameras and parking sensors and security alarm systems. For the years ended 31 December 2015 and 2016, revenue generated from our electronic accessories business accounted for approximately 68.9% and 65.7%, respectively, of our total revenue.

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”.

Services and product mix

We offer a wide range of PV interior modification services and products, including the supply and installation of leather upholstery, navigation and multimedia accessories and safety and security 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.

Cost and availability of materials

Cost of materials accounts for a significant portion of our cost of sales. Our cost of materials accounted for 72.3% and 75.4%, respectively, of our total cost of sales for the years ended 31 December 2015 and 2016. Fluctuations in the prices of our materials could significantly affect our gross profit margin if such fluctuations are not taken into account in the pricing of our products. The provision of our services requires a stable and sufficient supply of leather hides, custom-fitted leather upholstery for PV seats, and PV electronic accessories. If there is any shortage or delay in the supply, or in any event that our suppliers significantly increase the prices, or terminate business relationship with us, our business in general and results of operations may be adversely and materially affected.

Labour costs

Our installation of PV leather upholstery and electronic accessories are heavily dependent on skilled technicians which is a significant factor of our financial performance. In this regard, we place significant emphasis on the hiring and retention of skilled technicians.

Changes in the number of newly registered passenger vehicles

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 ten years. At the end of the ten-year COE period, car owners could choose to deregister or revalidate their COE for another five or ten years by paying the prevailing quota premium. The Singapore government controls the number of

FINANCIAL INFORMATION

vehicles in use by limiting the quota of the COE issued and changes in the quota of the COE would affect the number of newly registered vehicle in the market, which will affect the demand for passenger vehicle interior modification and influence our profitability and financial performance.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 January 2017. 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 Shareholders, Ms. Lee and Mr. David Siew, before and after the Reorganisation. Accordingly, the financial information of our Group has been prepared on a combined basis using the historical carrying values of the companies now comprising the Group 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 1.3 headed “Basis of presentation” in the Accountant’s Report as set out in Appendix I to this document.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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 in the Accountant’s Report as set out in Appendix I to this document. 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. The preparation of Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. We set forth below the description of critical accounting policies, estimates and judgments adopted in the preparation of our financial statements:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and returns. Revenue from our leather upholstery business and electronic accessories business is recognised when our installation services have been delivered to and accepted by our customers. During the Track Record Period, there was no delay of revenue recognition due to time required for inspection and acceptance by our customers. For details regarding our accounting policy relating to revenue recognition, see Note 2 headed “Revenue Recognition” in the Accountant’s Report as set out in Appendix I to this document.

FINANCIAL INFORMATION

Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Warranty provision

The Group gives 12 to 36 months warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised at the balance sheet date for expected warranty claims based on past experience of the level of repairs and returns. The Group made provision amounted to S\$215,279 and S\$228,957 as at 31 December 2015 and 2016, respectively. There has been no significant shortfall in these estimates against actual results.

Impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of receivables, taking into account the debtors’ financial conditions, any recent settlement plan committed by the debtors, and their status of settlement historically and subsequent to period end. Provisions for impairment are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible.

The identification of doubtful debts requires the use of judgement and estimates and the changes in the estimated provision in the past were mainly caused by changes in the above factors underlying the provision assessment. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed. There has been no significant shortfall in these estimates against actual results.

Allowance for slow-moving inventory

A review is made periodically on inventory for excess inventory and decline in net realisable value below cost and an allowance will be made against the inventory balance for any such decline. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventory. No allowance was made for such decline as at the financial year ended. There has been no significant shortfall in these estimates against actual results.

FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The selected financial information from our combined statements of comprehensive income for the years ended 31 December 2015 and 2016 set out below are extracted from the Accountant’s Report in Appendix I to this document, and should be read in conjunction with the Accountant’s Report set forth in Appendix I to this document.

	Year ended 31 December	
	2015	2016
	S\$	S\$
Revenue	11,470,263	13,081,710
Cost of sales	(6,864,307)	(7,831,869)
Gross profit	4,605,956	5,249,841
Other income	58,964	60,516
Other losses — net	(93,576)	(80,893)
Selling and distribution expenses	(391,346)	(426,557)
Administrative expenses	(840,452)	(1,154,938)
Finance cost — net	(3,124)	(2,883)
Profit before income tax	3,336,422	3,645,086
Income tax expense	(524,086)	(629,000)
Profit and total comprehensive income for the year attributable to equity holders of the Company	2,812,336	3,016,086

FINANCIAL INFORMATION

Revenue

Our sources of revenue can be generally categorised into PV leather upholstery business and electronic accessories business. Sub-segments of our electronic accessories business include (i) navigation and multimedia; and (ii) safety and security. The following table sets forth our revenue by segment for the years indicated:

	Year ended 31 December			
	2015		2016	
	S\$	%	S\$	%
Leather upholstery business	3,566,542	31.1	4,482,232	34.3
Electronic accessories business				
— Navigation and multimedia	3,783,883	33.0	3,904,966	29.8
— Safety and security	4,119,838	35.9	4,694,512	35.9
Total	<u>11,470,263</u>	<u>100.0</u>	<u>13,081,710</u>	<u>100.0</u>

Revenue from our leather upholstery business segment recorded an increase by approximately S\$0.9 million or 25.7% from approximately S\$3.6 million for the year ended 31 December 2015 to approximately S\$4.5 million for the year ended 31 December 2016.

Revenue from our navigation and multimedia sub-segment of our electronic accessories business recorded an increase by approximately S\$0.1 million or 3.2% from approximately S\$3.8 million for the year ended 31 December 2015 to approximately S\$3.9 million for the year ended 31 December 2016.

Revenue from our safety and security sub-segment of our electronic accessories business recorded an increase by approximately S\$0.6 million or 13.9% from approximately S\$4.1 million for the year ended 31 December 2015 to approximately S\$4.7 million for the year ended 31 December 2016.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales mainly comprises cost of materials, direct labour, and other direct costs. For the years ended 31 December 2015 and 2016, our cost of sales amounted to approximately S\$6.9 million and S\$7.8 million, respectively. The following table sets out a breakdown of our cost of sales for the years indicated:

	Year ended 31 December 2015				
	Leather upholstery business	Electronic accessories business		Total	
	S\$	Navigation and multimedia	Safety and security	S\$	%
Cost of materials	1,654,740	1,884,376	1,423,660	4,962,776	72.3
Direct labour	683,701	279,218	303,999	1,266,918	18.5
Others	<u>139,351</u>	<u>230,051</u>	<u>265,211</u>	<u>634,613</u>	<u>9.2</u>
Total	<u>2,477,792</u>	<u>2,393,645</u>	<u>1,992,870</u>	<u>6,864,307</u>	<u>100.0</u>
	Year ended 31 December 2016				
	Leather upholstery business	Electronic accessories business		Total	
	S\$	Navigation and multimedia	Safety and security	S\$	%
Cost of materials	2,220,757	2,028,098	1,652,260	5,901,115	75.4
Direct labour	788,449	290,946	349,905	1,429,300	18.2
Others	<u>141,908</u>	<u>167,490</u>	<u>192,056</u>	<u>501,454</u>	<u>6.4</u>
Total	<u>3,151,114</u>	<u>2,486,534</u>	<u>2,194,221</u>	<u>7,831,869</u>	<u>100.0</u>

Cost of materials is a significant component of our cost of sales and primarily comprises purchase cost of leather hides, custom-fitted leather upholstery for PV seats, and electronic accessories products. For the years ended 31 December 2015 and 2016, cost of materials represented approximately 72.3% and 75.4% of our total cost of sales respectively.

Direct labour comprises salaries and related costs of our operational and technical staff involved in our leather upholstery business and electronic accessories business. For the years ended 31 December 2015 and 2016, direct labour represented approximately 18.5% and 18.2% of our total cost of sales, respectively.

Others mainly comprises depreciation, warranty cost, write-off of inventories, rental expenses, insurance, freight and forwarding charges etc. For the years ended 31 December 2015 and 2016, other direct costs represented approximately 9.2% and 6.4% of our total cost of sales, respectively.

FINANCIAL INFORMATION

Sensitivity analysis

We generally use a cost-plus method to price the products and our installation services. Accordingly, any fluctuation in the cost of materials, are generally borne by our customers while fluctuation in direct labour cost are shared between our customers and us. Fluctuations are assumed to be 5% and 10% for each of the two years ended 31 December 2015 and 2016, which corresponds to the range of historical price fluctuations of the major items in our cost of sales during the Track Record Period.

The following table illustrates the sensitivity analysis of the estimated increase/(decrease) of our gross profit in relation to general percentage changes to cost of materials with all other variables being constant.

	Impact on gross profit for the year ended 31 December	
	2015	2016
	S\$	S\$
Cost of materials		
Increase/(decrease) by:		
10%	(496,278)	(590,112)
5%	(248,139)	(295,056)
(5%)	248,139	295,056
(10%)	496,278	590,112

The following table illustrates the sensitivity analysis of the estimated increase/(decrease) of our gross profit in relation to general percentage changes to direct labour with all other variables being constant.

	Impact on gross profit for the year ended 31 December	
	2015	2016
	S\$	S\$
Direct labour		
Increase/(decrease) by:		
10%	(126,692)	(142,930)
5%	(63,346)	(71,465)
(5%)	63,346	71,465
(10%)	126,692	142,930

FINANCIAL INFORMATION

Gross profit and gross profit margin

The following table sets out our Group’s gross profit and gross profit margin by segment for the years indicated.

	Year ended 31 December			
	2015		2016	
	Gross Profit S\$	Gross profit margin %	Gross Profit S\$	Gross profit margin %
Leather upholstery business	1,088,750	30.5	1,331,118	29.7
Electronic accessories business				
— Navigation and multimedia	1,390,238	36.7	1,418,432	36.3
— Safety and Security	<u>2,126,968</u>	<u>51.6</u>	<u>2,500,291</u>	<u>53.3</u>
Total	<u>4,605,956</u>	<u>40.2</u>	<u>5,249,841</u>	<u>40.1</u>

Our gross profit was approximately S\$4.6 million and S\$5.2 million for the years ended 31 December 2015 and 2016, respectively. Our gross profit margin was approximately 40.2% and 40.1% for the years ended 31 December 2015 and 2016, respectively. Our safety and security sub-segment recorded relatively higher gross profit margin during the Track Record Period as certain electronic accessories offered in this sub-segment, in particular the digital video recorders, were widely accepted in the PV market and new models of these accessories could be priced at a more favourable margin.

Other income

Our other income was approximately S\$59,000 and S\$61,000 for the years ended 31 December 2015 and 2016 respectively. The following table sets out a breakdown of our other income and gains for the years indicated:

	Year ended 31 December			
	2015		2016	
	S\$	%	S\$	%
Other income				
Wages Credit Scheme	9,637	16.3	32,252	53.3
Special Employment Credit	15,784	26.8	20,118	33.2
Productivity and Innovation Credit bonus	33,432	56.7	8,146	13.5
Sundry income	<u>111</u>	<u>0.2</u>	<u>—</u>	<u>—</u>
Total	<u>58,964</u>	<u>100.0</u>	<u>60,516</u>	<u>100.0</u>

The Wages Credit Scheme (the “WC Scheme”), the Special Employment Credit (the “SEC Scheme”), and the Productivity and Innovation Credit bonus (the “PIC Scheme”) were incentives from the Singapore government.

FINANCIAL INFORMATION

Under the WC 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.

Under the SEC Scheme, the Singapore government will co-fund employers who hire Singaporean citizens aged above 50 earning a gross monthly wage of S\$4,000 and below of up to 8.5% of an eligible employee’s monthly wage for the year ended 31 December 2015 and 8% for the year ended 31 December 2016. Over the periods, the Singaporean government will further co-fund a 3% of an eligible employee’s monthly wage if employers voluntarily re-employ Singaporeans aged 65 and above. The Scheme was first introduced in 2011 and will be extended for three years from 1 January 2017 to 31 December 2019.

The PIC Scheme supports business investments in the form of cash payout and/or tax reduction. Our Group has certain items of office equipment and machinery which qualifies for the 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 subsequent Singapore Budgets. In the Singapore Budget 2014, the PIC Scheme was extended for three 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. The tax deduction of the schemes 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.

Other losses — net

Our other loss was approximately S\$94,000 and S\$81,000 for the years ended 31 December 2015 and 2016, respectively. The following table sets out a breakdown of our other losses for the years indicated:

	Year ended 31 December	
	2015	2016
	S\$	S\$
Other losses — net		
Foreign exchange loss — net	(92,923)	(80,893)
Loss on disposal of property, plant and equipment	(653)	—
Total	(93,576)	(80,893)

Our other losses comprises loss on foreign exchange and disposal of property, plant and equipment recognised for the years ended 31 December 2015 and 2016. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange losses were resulted from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies. The loss on disposal of property, plant and equipment was caused by the difference between the selling price and the carrying value of a motor vehicle we sold to an Independent Third Party during the year ended 31 December 2015.

FINANCIAL INFORMATION

Selling and distribution expenses

Our selling and distribution expenses was approximately S\$391,000 and S\$427,000 for the years ended 31 December 2015 and 2016, respectively. The following table sets out the breakdown of our Group’s selling and distribution expenses for the Track Record Period:

	Year ended 31 December			
	2015		2016	
	S\$	%	S\$	%
Selling and distribution expenses				
Director’s remuneration	96,651	24.7	116,505	27.3
Staff salaries and benefits	86,179	22.0	93,080	21.8
Entertainment	79,643	20.3	79,197	18.6
Travelling and transportation	48,781	12.5	61,727	14.5
Others	<u>80,092</u>	<u>20.5</u>	<u>76,048</u>	<u>17.8</u>
Total	<u><u>391,346</u></u>	<u><u>100.0</u></u>	<u><u>426,557</u></u>	<u><u>100.0</u></u>

Our selling and distribution expenses mainly comprise expenses for Director’s remuneration, salaries and benefits paid to our sales and marketing staff, entertainment expenses, travelling and transportation expenses and other expenses. Other expenses comprise referral fees on retail customers, advertisement expenses and other miscellaneous expenses such as insurance, utilities and office maintenance, etc. We currently intend to use approximately [REDACTED]% of our total estimated [REDACTED] from the [REDACTED], approximately S\$[REDACTED] million to strengthen our brand and sales and marketing. As such, the marketing and advertising expenses 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 [REDACTED] — Implementation plans”.

Administrative expenses

Our administrative expenses was approximately S\$0.8 million and S\$1.2 million for the years ended 31 December 2015 and 2016, respectively. The following table sets out the breakdown of our Group’s administrative expenses for the Track Record Period:

	Year ended 31 December			
	2015		2016	
	S\$	%	S\$	%
Administrative expenses				
Directors’ remuneration	494,670	58.9	498,990	43.2
Staff salaries and benefits	115,737	13.8	142,430	12.3
Depreciation	38,915	4.6	36,827	3.2
Office maintenance	34,955	4.2	29,570	2.6
Amortisation of intangible assets	19,732	2.3	—	—
[REDACTED]	—	—	[REDACTED]	[REDACTED]
Others	<u>136,443</u>	<u>16.2</u>	<u>154,554</u>	<u>13.4</u>
Total	<u><u>840,452</u></u>	<u><u>100.0</u></u>	<u><u>1,154,938</u></u>	<u><u>100.0</u></u>

FINANCIAL INFORMATION

Our administrative expenses mainly comprise directors’ remuneration, salaries and benefits paid to our staffs in our administrative function, depreciation expense, office maintenance expenses, amortisation of intangible assets, [REDACTED] and other miscellaneous expenses such as utility, office supply, insurance, etc.

Finance cost — net

Finance cost represents interest expenses on finance leases offset by interest income from bank deposits. Our finance cost was approximately S\$3,000 for both years ended 31 December 2015 and 2016. The following table sets forth a breakdown of our finance cost — net for the periods indicated:

	Year ended 31 December	
	2015	2016
	S\$	S\$
Finance cost — net		
Interest (expenses)/income		
— Finance leases	(3,232)	(2,992)
— Bank deposits	108	109
Total	(3,124)	(2,883)

Income tax expense

Our Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which we are domiciled and operate. The Cayman Islands currently levy no taxes on our Company based upon income. We 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 31 December	
	2015	2016
	S\$	S\$
Current income tax	(533,086)	(621,000)
Deferred income tax	9,000	(8,000)
Total	(524,086)	(629,000)

FINANCIAL INFORMATION

A reconciliation of the tax expense applicable to profit before income tax at the domestic rates for us in Singapore is reconciled to our income tax expense is as follows:

	Year ended 31 December	
	2015	2016
	S\$	S\$
Profit before income tax	3,336,422	3,645,086
Tax calculated at domestic tax rate of 17%	567,192	619,665
Tax effect of:		
— expenses not deductible for tax purposes	12,290	61,027
— non-taxable income	(7,640)	(3,065)
Singapore statutory income exemption	(49,357)	(45,925)
Others	1,601	(2,702)
Income tax expense	524,086	629,000

According to the IRAS, Singaporean companies can enjoy a statutory income 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.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our Group recorded an increase in our revenue by approximately S\$1.6 million or 14.0% from approximately S\$11.5 million for the year ended 31 December 2015 to approximately S\$13.1 million for the year ended 31 December 2016, which was primarily benefited from the increase in the number of new passenger vehicles sold in Singapore in 2016.

The increase in revenue in our leather upholstery business segment was mainly attributed to the increase in the number of leather upholstery installed by our Group by approximately 1,000 cars units, or 25.6%, from approximately 3,900 cars units for the year ended 31 December 2015 to approximately 4,900 cars units for the year ended 31 December 2016.

The increase in revenue in our electronic accessories business was mainly driven by the increasing popularity of certain electronic accessories products in the passenger vehicle market, including multimedia systems in the navigation and multimedia sub-segment and digital video recorders in the safety and security sub-segment, which attributed to the increase in quantity sold of these products.

Cost of sales

Our cost of sales increased from approximately S\$6.9 million for the year ended 31 December 2015 to approximately S\$7.8 million for the year ended 31 December 2016, representing an increase of 14.1%. Such increase was directly proportionate to the increase in revenue from all segments.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our Group’s gross profit increased from approximately S\$4.6 million for the year ended 31 December 2015 to approximately S\$5.2 million for the year ended 31 December 2016. Our gross profit margin for the year ended 31 December 2015 was approximately 40.2% and approximately 40.1% for the year ended 31 December 2016 which remained stable over the periods.

Other income

Our other income increased from approximately S\$59,000 for the year ended 31 December 2015 to approximately S\$61,000 for the year ended 31 December 2016. This was mainly due to the increase in incentives received under the SEC Scheme and the WC Scheme, and was partially net off by the decrease in incentives received under PIC Scheme. The increase in SEC Scheme and WC Scheme was due to more of our Singaporean employees were eligible to receive the incentives from the Singaporean Government, while the decrease in payment under PIC Scheme was due to less office equipment and machinery purchased in 2016 that were eligible for deductions.

Other losses — net

Our other losses decreased from approximately S\$94,000 for the year ended 31 December 2015 to approximately S\$81,000 for the year ended 31 December 2016. This was mainly due to less foreign exchange loss recorded for the year ended 31 December 2016.

Selling and distribution expenses

Our selling and distribution expenses increased slightly from approximately S\$391,000 for the year ended 31 December 2015 to approximately S\$427,000 for the year ended 31 December 2016. The increase was in line with our general increase in business activities.

Administrative expenses

Our administrative expenses increased from S\$0.8 million for the year ended 31 December 2015 to approximately S\$1.2 million for the year ended 31 December 2016. This was mainly due to the [REDACTED] incurred for the year ended 31 December 2016.

Finance cost — net

Our net finance cost remained at approximately S\$3,000 for both years ended 31 December 2015 and 2016. This amount mainly represents interest expense on finance leases on motor vehicles.

Income tax expense

The effective tax rates for the years ended 31 December 2015 and 2016 were approximately 15.7% and 17.3%, respectively. Since [REDACTED] incurred for the year ended 31 December 2016 was not deductible, the effective tax rate for the year ended 31 December 2016 was higher than that for the year ended 31 December 2015.

FINANCIAL INFORMATION

Profit for the year

Our Group’s profit for the year ended 31 December 2016 was approximately S\$3.0 million, representing an increase of approximately 7.2% on a year-on-year basis, and was mainly due to the increase in revenue during the year.

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.

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	
	2015	2016
	S\$	S\$
Net cash generated from operating activities	3,080,140	3,039,235
Net cash used in investing activities	(108,651)	(173,388)
Net cash used in financing activities	(1,102,102)	(2,156,374)
Net increase in cash and cash equivalents	1,869,387	709,473
Cash and cash equivalents at beginning of the year	2,631,229	4,500,616
Cash and cash equivalents at end of the year	4,500,616	5,210,089

Net cash generated from operating activities

Year ended 31 December 2015

For the year ended 31 December 2015, we recorded net cash generated from operating activities of approximately S\$3.1 million which primarily consisted of cash generated from operations of approximately S\$3.5 million, partially offset by income tax paid of approximately S\$0.4 million. Our cash generated from operations primarily reflects our profit before income tax of approximately S\$3.3 million, adjusted by non-cash items, which mainly included depreciation of property, plant and equipment and write-off of inventories of S\$0.1 million and S\$0.2 million respectively, and net of the working capital outflows was approximately S\$0.2 million.

The working capital outflows mainly arose from an increase in inventories of approximately S\$0.4 million, which was partially offset by a decrease in trade and other receivables of approximately S\$0.1 million and an increase in trade and other payables of approximately S\$0.1 million. The increase in inventories was primarily to cope with our increasing sales for the year ended 31 December 2015. Our operating cash flows before changes in working capital for the year ended 31 December 2015 was approximately S\$3.7 million.

FINANCIAL INFORMATION

Year ended 31 December 2016

For the year ended 31 December 2016, we recorded net cash generated from operating activities of approximately S\$3.0 million which primarily consisted of cash generated from operations of approximately S\$3.6 million, partially offset by income tax paid of approximately S\$0.6 million. Our cash generated from operations primarily reflects our profit before income tax of approximately S\$3.6 million, adjusted by non-cash items, which mainly included depreciation of property, plant and equipment of S\$0.2 million, and net of the working capital outflows was approximately S\$0.2 million.

The working capital outflows mainly arose from an increase in trade and other receivables of approximately S\$1.0 million, partially offset by a decrease in inventories of approximately S\$0.5 million and an increase in trade and other payables of approximately S\$0.3 million for the year ended 31 December 2016. The increase in trade receivables was primarily driven by the increase in revenue for the year ended 31 December 2016 when compared to the year ended 31 December 2015. Our operating cash flows before changes in working capital for the year ended 31 December 2016 was approximately S\$3.8 million.

Net cash used in investing activities

Year ended 31 December 2015

For the year ended 31 December 2015, we recorded net cash used in investing activities of approximately S\$0.1 million which mainly represented the purchase of property, plant and equipment of approximately S\$0.1 million.

Year ended 31 December 2016

For the year ended 31 December 2016, we recorded net cash used in investing activities of approximately S\$0.2 million which mainly represented the purchase of property, plant and equipment of approximately S\$0.2 million.

Net cash used in financing activities

Year ended 31 December 2015

For the year ended 31 December 2015, we recorded net cash used in financing activities of approximately S\$1.1 million mainly represented the dividends paid during the year.

Year ended 31 December 2016

For the year ended 31 December 2016, we recorded net cash used in financing activities of approximately S\$2.2 million mainly represented the dividends paid during the year.

FINANCIAL INFORMATION

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
	2015	2016	31 January
	S\$	S\$	S\$ (Unaudited)
CURRENT ASSETS			
Inventories	1,120,539	614,926	741,416
Trade and other receivables	1,877,216	2,925,580	2,941,971
Cash and cash equivalents	4,500,616	5,210,089	4,790,238
Fixed deposit	<u>108,008</u>	<u>108,117</u>	<u>108,144</u>
Total current assets	<u>7,606,379</u>	<u>8,858,712</u>	<u>8,581,769</u>
CURRENT LIABILITIES			
Trade and other payables	845,241	1,101,864	1,263,342
Current income tax liabilities	457,923	503,324	524,195
Finance lease liabilities	<u>57,398</u>	<u>—</u>	<u>—</u>
Total current liabilities	<u>1,360,562</u>	<u>1,605,188</u>	<u>1,787,537</u>
NET CURRENT ASSETS	<u>6,245,817</u>	<u>7,253,524</u>	<u>6,794,232</u>

Our net current assets increased by approximately S\$1.0 million or 16.1% from approximately S\$6.2 million as at 31 December 2015 to approximately S\$7.3 million as at 31 December 2016. This is primarily due to (i) the increase in trade and other receivables of approximately S\$1.0 million; and (ii) the increase in cash and cash equivalents of approximately S\$0.7 million received from customers due to the increase of our revenue for the year ended 31 December 2016, partially offset by (iii) the decrease in inventories of approximately S\$0.5 million; and (iv) the increase in trade and other payables of approximately S\$0.3 million.

As at 31 January 2017, our net current assets decreased by S\$0.5 million as compared to our net current assets as of 31 December 2016, mainly due to (i) the payments of [REDACTED] by our Group which resulted in a decrease in cash and cash equivalents of approximately S\$0.4 million; and (ii) the increase in trade payables by S\$0.2 million attributable to more purchases made on leather upholstery and electronic accessories as at 31 January 2017.

FINANCIAL INFORMATION

WORKING CAPITAL

Our Directors confirm that, after due and careful enquiry and taking into consideration the financial resources available to us, including internally generated funds, and the estimated [REDACTED] of the [REDACTED], we have sufficient funds to meet the working capital and financial requirements for at least the next 12 months from the date of this document.

DISCUSSION OF CERTAIN ITEMS FROM THE COMBINED BALANCE SHEETS

Inventories

Our inventories comprise of raw materials, which are leather hides, and finished goods, which include custom-fitted leather upholstery for PV seats and PV electronic accessories. The total net carrying amount of our inventories decreased by approximately S\$0.5 million from S\$1.1 million as at 31 December 2015 to approximately S\$0.6 million as at 31 December 2016. Such decrease was primarily related to higher sales in December 2016 because the Chinese New Year took place earlier in January 2017, resulting a drop in inventory level as at 31 December 2016.

Our Directors review inventory aging analysis at the end of each financial year and identify slow-moving inventories where future sales orders are unlikely to take place. Based on our management’s judgement, certain inventories held over one year were considered to be obsolete and were written-off accordingly. The amounts of write-off of inventories were approximately S\$172,000 and S\$18,000 for the years ended 31 December 2015 and 2016.

Inventory turnover

Our Group’s inventory turnover was approximately 51.3 days and 40.4 days for the years ended 31 December 2015 and 2016, respectively. The decrease was related to the higher sales in December 2016 because the Chinese New Year took place earlier in January 2017, resulting a lower inventory level as at 31 December 2016.

Trade and other receivables

	As at 31 December	
	2015	2016
	S\$	S\$
Trade receivables	1,825,768	2,375,558
Prepayment of [REDACTED]	—	[REDACTED]
Advance payment to suppliers	39,862	60,571
Rental and other deposits	7,546	6,103
Prepayment of operating expenses	840	966
Others	3,200	—
	<u>1,877,216</u>	<u>2,925,580</u>

FINANCIAL INFORMATION

Trade receivables

Trade receivables as at 31 December 2016 increased by approximately S\$0.5 million or 30.1% from approximately S\$1.8 million as at 31 December 2015 to approximately S\$2.4 million as at 31 December 2016. The increase was primarily due to the increase of our revenue for the year ended 31 December 2016.

Our trade receivables mainly comprise trade receivables from authorised PV distributors and dealers. Our Group generally grants credit terms to its customers on a 30-day basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

An aging analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2015	2016
	S\$	S\$
Unbilled revenue	241,555	508,310
1 to 30 days	1,013,976	1,109,699
31 to 60 days	553,956	626,967
61 to 90 days	11,310	130,154
91 to 150 days	4,971	428
	1,825,768	2,375,558

The aging analysis of the trade receivables based on due date is as follows:

	As at 31 December	
	2015	2016
	S\$	S\$
Not yet past due	1,255,531	1,618,009
Past due but not impaired:		
1 to 30 days	553,956	626,967
31 to 60 days	11,310	130,154
Over 60 days	4,971	428
	570,237	757,549
	1,825,768	2,375,558

Receivables that were past due but not impaired for each of the reporting period relate to a number of independent customers who had good payment track records with us. 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 of these customers and the balances were still considered fully recoverable.

FINANCIAL INFORMATION

As of 31 January 2017, an aggregate amount of S\$891,000, or 37.5% of our trade receivables as at 31 December 2016 has been settled.

Trade receivables turnover

Our average trade receivable turnover days for the years ended 31 December 2015 and 2016 was approximately 60.0 days and 58.6 days, respectively. Although the credit period granted to customers is generally 30 days, during the Track Record Period, our average trade receivable turnover days were longer than the general 30 days credit period because: i) our customers usually settle within 30 to 60 days as the processing time for our billing procedures and their payment approvals may take longer, and ii) we recognised unbilled sales, which represented the amount of revenue attributed to services delivered and accepted by customers but the corresponding invoices have not been issued as at the respective year end. The slight decrease was mainly due to the improvement in our efficiency in billing which contributed to a shorter collection period of trade receivables.

Trade and other payables

	As at 31 December	
	2015	2016
	S\$	S\$
Trade payables	261,493	335,232
Provision for warranty cost	215,279	228,957
Accrued operating expenses	135,775	188,602
Accrued [REDACTED]	—	[REDACTED]
Other payables	232,694	248,362
	845,241	1,101,864

Trade payables

Trade payables as at 31 December 2016 increased by approximately S\$74,000 or 28.2% from approximately S\$261,000 as at 31 December 2015 to approximately S\$335,000 as at 31 December 2016 which was mainly due to the increase in purchase of leather upholstery and electronics accessories to meet the overall increasing sales demand during the year of 2016.

We are generally granted credit terms of 7 to 45 days for our trade payables. These amounts are non-interest bearing.

Trade payables turnover

Our Group’s trade payables turnover was approximately 19.0 days and 13.9 days for the years ended 31 December 2015 and 2016, respectively. The decrease was due to management’s prompt settling of payments to develop better relationship with its suppliers.

FINANCIAL INFORMATION

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

	As at 31 December	
	2015	2016
	S\$	S\$
1 to 30 days	193,157	335,232
31 to 60 days	68,336	—
61 to 90 days	—	—
More than 90 days	—	—
	<u>261,493</u>	<u>335,232</u>

As at 31 December 2016, we had approximately S\$335,000 of trade payables, of which, approximately S\$250,000, or 74.6% had been subsequently settled as at 31 January 2017.

Accrued operating expenses

Our accrued operating expenses mainly comprise accrued bonus to our staff and audit fees and the increase in the balance as at 31 December 2016 was mainly attributed to the overall sales increase for the year ended 31 December 2016.

Other payables

Our other payables mainly comprise Goods and Services Tax (GST) payable. The increase in balance as at 31 December 2016 was mainly attributed to the increase in revenue for the year ended 31 December 2016.

INDEBTEDNESS

As at 31 January 2017, being the latest practicable date for the purpose of the indebtedness statement in this document, we had banking facilities of approximately S\$1.8 million of which the full amount was unutilised. Our Directors confirm that the personal guarantees provided by our Directors in respect of our Group’s bank facilities will be released upon [REDACTED].

Save as aforesaid or as otherwise disclosed herein, we did not have, as at 31 January 2017, 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.

FINANCIAL INFORMATION

Finance leases liabilities

Our Group leases certain motor vehicles from third parties under finance lease. The table below sets forth the maturity profile of our finance leases as at the respective dates indicated. The balance as at 31 December 2016 was nil since the lease was matured in 2016 and we have repaid the whole amount.

	As at 31 December		As at 31 January
	2015	2016	2017
	S\$	S\$	S\$ (Unaudited)
No later than one year	57,398	—	—
Later than one year but not later than five years	—	—	—
	57,398	—	—

The effective interest rates on the leases was 6.48% and 6.25% per annum during the years ended 31 December 2015 and 2016, respectively. The carrying amounts of all finance liabilities were denominated in S\$. The lease liabilities were secured by motor vehicles of our Group and personal guarantees executive by our Directors.

Contingent liabilities

As at 31 December 2015 and 2016 and 31 January 2017, being the latest practicable date for the purpose of indebtedness statement in this document, our Group had no significant contingent liabilities.

Commitments

The following table sets out our Group’s outstanding commitments in respect of future minimum lease payments under non-cancellable operating leases in respect of office premises and staff accommodation at the end of each reporting period.

	As at 31 December	
	2015	2016
	S\$	S\$
No later than 1 year	10,206	39,004
Later than 1 year and not later than 5 years	—	50,178
	10,206	89,182

Operating lease payments represented rentals payable by our Group for its leased office premises and staff accommodations. There was no option for renewal of the tenancies.

FINANCIAL INFORMATION

ANALYSIS OF KEY FINANCIAL RATIOS

	As at/Year ended 31 December	
	2015	2016
Current ratio ⁽¹⁾	5.6x	5.5x
Quick ratio ⁽²⁾	4.8x	5.1x
Gearing ratio ⁽³⁾	0.01x	—
Debt to equity ratio ⁽⁴⁾	Net cash	Net cash
Interest coverage ⁽⁵⁾	1,033.3x	1,219.2x
Return on total assets ⁽⁶⁾	32.4%	30.3%
Return on equity ⁽⁷⁾	38.4%	36.2%
Net profit margin ⁽⁸⁾	24.5%	23.1%

Notes:

- (1) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.
- (2) Quick ratio is calculated based on our total current assets minus inventories divided by our total current liabilities as at the respective year end.
- (3) Gearing ratio is calculated based on the interest-bearing bank and other borrowings divided by the total equity as at the respective year end.
- (4) 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 year end. We were at net cash position as at 31 December 2015 and 2016 for both years end.
- (5) Interest coverage is calculated by the profit before interest and tax divided by the interest expenses for the respective year.
- (6) Return on total assets is calculated by the profit for the year divided by the total assets as at the respective period end and multiplied by 100.0%.
- (7) Return on equity is calculated by the profit for the year divided by the total equity as at the respective year end and multiplied by 100.0%.
- (8) Net profit margin is calculated by the profit for the year divided by the revenue for the respective year and multiplied by 100.0%.

Current ratio

Our Group’s current ratio decreased slightly from 5.6 times as at 31 December 2015 to 5.5 times as at 31 December 2016. The current ratio remained relatively stable for each of the two years ended 31 December 2015 and 2016.

Quick ratio

Our Group’s quick ratio increased from 4.8 times as at 31 December 2015 to 5.1 times as at 31 December 2016. The quick ratio remained relatively stable for each of the two years ended 31 December 2015 and 2016.

FINANCIAL INFORMATION

Gearing ratio

Our Group’s gearing ratio decreased from 0.01 times as at 31 December 2015 to nil as at 31 December 2016. The decrease was mainly due to a full repayment of borrowings in relation to the hire purchase. As at 31 December 2016, our Group has no outstanding interest-bearing borrowings.

Debt to equity ratio

Since our cash and bank balances exceeded our total borrowings, we were at net cash position as at 31 December 2015 and 2016. Thus, the debt to equity ratio was not applicable to our Group as at 31 December 2015 and 2016.

Interest coverage

Our Group’s interest coverage increased from 1,033.3 times for the year ended 31 December 2015 to 1,219.2 times for the year ended 31 December 2016. The increase was mainly due to the increase in our profit and the repayment of borrowings for the year ended 31 December 2016.

Return on total assets

Our Group’s return on total assets slightly decreased from 32.4% for the year ended 31 December 2015 to 30.3% for the year ended 31 December 2016. The decrease was mainly due to the recognition of the [REDACTED] which reduced our net profits for the year ended 31 December 2016.

Return on equity

Our Group’s return on equity slightly decreased from 38.4% for the year ended 31 December 2015 to 36.2% for the year ended 31 December 2016. The decrease was mainly due to the recognition of the [REDACTED] which reduced our net profits for the year ended 31 December 2016.

Net profit margin

Our Group’s net profit margin slightly decreased from 24.5% for the year ended 31 December 2015 to 23.1% for the year ended 31 December 2016. The decrease was mainly due to the recognition of the [REDACTED] which reduced our profits for the year ended 31 December 2016.

CAPITAL EXPENDITURE

Our capital expenditure incurred during the Track Record Period was primarily used for cost on lightings, renovation, furniture and fittings; purchase of machinery and motor vehicles; and office equipment and computer which was funded by the financial resources generated from our business operations.

FINANCIAL INFORMATION

The table below sets forth, for the years indicated, our capital expenditures.

	Year ended 31 December	
	2015	2016
	S\$	S\$
Lightings, renovation, furniture and fittings	17,854	25,086
Machinery and motor vehicles	165,925	123,830
Office equipment and computers	<u>15,272</u>	<u>24,472</u>
Total	<u><u>199,051</u></u>	<u><u>173,388</u></u>

During the Track Record Period, our capital expenditure was approximately S\$199,000 and S\$173,000, respectively. Our capital expenditures for the year ending 31 December 2017 will be primarily used for (i) acquiring new premises, (ii) acquiring new or replacing old machinery and equipment, (iii) renovation of our existing facilities, and (iv) upgrading information technology system. Further information is set forth in the “Future Plans and [REDACTED]” section in this document. We expect our capital expenditure will be funded by both our internally generated financial resources and [REDACTED].

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 foreign currency risk, interest risk, credit 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 3 in the Accountant’s Report in Appendix I to this document. We will have sufficient foreign exchange to meet our foreign exchange liabilities as they become due, which will be funded by our cash generated from operating activities.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we have not entered into any off-balance sheet transactions.

[REDACTED]

Our estimated expenses in relation to the [REDACTED] primarily consist of legal and professional fees in relation to the [REDACTED], the commissions together with SFC transaction levy and Stock Exchange trading fee. Assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] stated in this document, estimated [REDACTED] in connection with the [REDACTED] are approximately S\$[REDACTED] million, of which S\$[REDACTED] million has been

FINANCIAL INFORMATION

charged to our combined statements of comprehensive income for the year ended 31 December 2016, and approximately S\$[REDACTED] million is expected to be charged to our combined statements of comprehensive income for the year ending 31 December 2017 and approximately S\$[REDACTED] million is expected to be capitalised as deferred expenses and charged against equity upon completion of the [REDACTED] under the relevant accounting standards.

In view of the above, prospective investors should note that the non-recurring expenses in relation to the [REDACTED] will have a material adverse effect on the financial results of our Group for the year ending 31 December 2017. Prospective investors are specifically warned that given the aforesaid expenses, our Group’s net profit for the year ending 31 December 2017 may show a decline as compared to that for the previous financial year. Our Directors wish to emphasise that the aforesaid amount of [REDACTED] is a current estimate for reference only and the final amount to be recognised in the combined statements of comprehensive income for the year ending 31 December 2017 is subject to adjustment due to changes in estimates and assumptions.

DIVIDENDS AND DIVIDEND POLICY

For each of the two years ended 31 December 2016, our Group declared dividends of S\$1.0 million and S\$2.0 million, respectively, out of the distributable profit and all these dividends had been paid as at the Latest Practicable Date. We expect to further declare and pay a special dividend of not more than S\$4.0 million prior to [REDACTED].

We are a holding company incorporated in the Cayman Islands. The payment and amount of our future dividends will depend on the availability of dividends received from our subsidiaries. Distributions from us and our subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements or other agreements that we or they may enter into in the future. We currently do not have any fixed dividend policy and do not have any pre-determined dividend payout ratio. The amount of dividends actually distributed to our Shareholders will depend on our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividends. Our dividend distribution record in the past may not be useful as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 16 January 2017. As at 31 January 2017, our Company had no reserves available for distribution to the Shareholders.

RELATED PARTY TRANSACTIONS

During the Track Record Period, there is no related party transactions included save as the key management compensation disclosed.

Please see Note 29 in the Accountant’s Report as set out in Appendix I to this document.

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.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [REDACTED] on the net tangible assets of the Group attributable to the owners of the Company as of 31 December 2016 as if the [REDACTED] had taken place on 31 December 2016.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 December 2016 or at any future dates following the [REDACTED]. It is prepared based on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 as set out in the Accountant’s Report of the Group, the text of which is set out in Appendix I to this document, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant’s Report.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at 31 December 2016	Unaudited pro forma adjusted net tangible assets per Share	
	(Note 1)	(Note 2)		(Note 3)	(Note 4)
	S\$	S\$	S\$	S\$	HK\$
Based on an [REDACTED] of HK\$[REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on an [REDACTED] of HK\$[REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Notes:

- (1) The audited combined net tangible assets attributable to owners of the Company as at 31 December 2016 is extracted from the Accountant’s Report set out in Appendix I to this document, which is based on the audited combined net assets of the Group attributable to owners of the Company as at 31 December 2016 of S\$[REDACTED].
- (2) The estimated [REDACTED] from the [REDACTED] are based on the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], being the lower end to higher end of the [REDACTED] respectively, after the deduction of the [REDACTED] fees and other [REDACTED] related expenses

FINANCIAL INFORMATION

(excluding [REDACTED] of approximately S\$[REDACTED] which have been accounted for prior to 31 December 2016) payable by the Company, and takes no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandate to issue shares or general mandate to repurchase shares as described in the section headed “Share Capital” in this document.

- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue assuming that the [REDACTED] and [REDACTED] had been completed on 31 December 2016 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandate to issue shares or general mandate to repurchase shares as described in the section headed “Share Capital” in this document.
- (4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Singapore dollars are converted into Hong Kong dollars at a rate of S\$1 to HK\$5.5, as set out in “Definitions” to this document. No representation is made that Singapore dollar amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2016.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that save for the expenses in connection with the [REDACTED], subsequent to the Track Record Period and up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of our Group.

FUTURE PLANS AND [REDACTED]

BUSINESS OBJECTIVES AND STRATEGIES

Our primary business objectives are to strengthen our market position as a leading passenger vehicle interior modification service provider in Singapore, grow our existing business, enhance our product offerings, expand our customer base and achieve sustainable growth. Please refer to the section entitled “Business — Our Business Strategies” of this document for details.

[REDACTED]

We estimate that the aggregate [REDACTED] of the [REDACTED] (after deducting [REDACTED] and estimated expenses payable by us in connection with the [REDACTED]) based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range) will be approximately HK\$[REDACTED] (equivalent to approximately S\$[REDACTED]). We intend to apply the [REDACTED] in the following manner:

Upgrade existing facilities and acquire new premises

We intend to use approximately [REDACTED]% of our total estimated [REDACTED] from the [REDACTED], being approximately HK\$[REDACTED] million (equivalent to approximately S\$[REDACTED] million) to finance the upgrade on existing facilities and acquisition of new premises. Details of our intended use of HK\$[REDACTED] million are as follows:

- Approximately HK\$[REDACTED] (equivalent to approximately S\$[REDACTED]) for renovation and redesign of our existing workshop, showroom, and warehouse;
- Approximately HK\$[REDACTED] (equivalent to approximately S\$[REDACTED]) for purchasing (i) leather cutting machine and upholstery machinery; and (ii) commercial vehicles to support our mobile teams;
- Approximately HK\$[REDACTED] (equivalent to approximately S\$[REDACTED]) for acquiring new premises (i) at a strategic location to serve as showroom and workshop, and (ii) in close proximity to our existing facilities to serve as warehouse; and
- Approximately HK\$[REDACTED] (equivalent to approximately S\$[REDACTED]) for renovation of the new premises.

Strengthen our sales and marketing efforts

We intend to use approximately [REDACTED]% of our total estimated [REDACTED] from the [REDACTED], being approximately HK\$[REDACTED] (equivalent to approximately S\$[REDACTED]) to finance advertising, branding and marketing activities for expansion of customer base. We intend to increase our advertising efforts through media coverage in magazines, social media and websites and participating in motor roadshows to facilitate our strategy to expand our market share in the B2C market. We also intend to appoint an external consultant to review and enhance our branding and marketing strategies.

FUTURE PLANS AND [REDACTED]

Expand our product offerings

We intend to set aside approximately [REDACTED]% of our total estimated [REDACTED] from the [REDACTED], being approximately HK\$[REDACTED] (equivalent to approximately S\$[REDACTED]) to explore new products for our electronic accessories business by sourcing new hardware and software products from our existing suppliers and other active suppliers in the market to expand our product offerings.

Our Directors consider that there will be an increasing demand in both the Group’s existing and new products and believe that expanding and diversifying the Group’s product variety will strengthen the Group’s competitiveness and its market position in the PV interior modification industry. We also plan to develop strategic alliances with suppliers and product manufacturers. In anticipation of the increasing efforts to further broaden our product offerings, we intend to recruit additional sales and marketing personnel and technicians. Furthermore, we intend to employ additional customer service personnel to handle the after-sales services. We will also focus on training and retaining current and new hires to equip them with the skills and knowledge of the products.

Upgrade and integrate of our information technology system

We intend to use approximately [REDACTED]% of our total estimated [REDACTED] from the [REDACTED], being approximately HK\$[REDACTED] (equivalent to approximately S\$[REDACTED]) to finance the upgrade of our current information technology system, such as new ERP system, point of sale system, data storage, electronic documentation, cloud backup storage, upgrade of accounting systems, implement mobile job order and warehouse and inventory tracking management system, to enhance our overall efficiency.

Working capital and general corporate use

The balance of approximately [REDACTED]% of our total estimative [REDACTED] from the [REDACTED], being approximately HK\$[REDACTED] (equivalent to approximately S\$[REDACTED]) will be used as working capital and funding for other general corporate purposes according to our business plans.

FUTURE PLANS AND [REDACTED]

For the period from the Latest Practicable Date to 31 December 2019, our [REDACTED] will be applied as follows:

	From the Latest Practicable Date to 31 December 2017	For the six month period ending 30 June 2018	For the six month period ending 31 December 2018	For the six month period ending 30 June 2019	For the six month period ending 31 December 2019	Total	Approximate % of [REDACTED]
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Upgrade existing facilities, acquire new machinery and premises	[REDACTED]	[REDACTED]	[REDACTED]	—	—	[REDACTED]	[REDACTED]
Strengthen our sales and marketing efforts	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expand our product offerings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Upgrade and integrate of our information technology system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	—	[REDACTED]	[REDACTED]
Working capital and general corporate use	[REDACTED]	[REDACTED]	—	—	—	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

If the [REDACTED] is set at the high-end of the indicative [REDACTED] at HK\$[REDACTED] per [REDACTED], the [REDACTED] from the [REDACTED] will increase to approximately HK\$[REDACTED]. If the [REDACTED] is set at the low-end of the indicative [REDACTED] at HK\$[REDACTED] per [REDACTED], the [REDACTED] from the [REDACTED] will decrease to approximately HK\$[REDACTED]. To the extent that our [REDACTED] are either more or less than expected, for instance, in the event that the [REDACTED] is set at the high-end of the indicative [REDACTED] range or the [REDACTED] is set at the low-end of the indicative [REDACTED] range, we will adjust our allocation of the [REDACTED] for the above purposes on a pro rata basis.

The possible [REDACTED] outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the [REDACTED] as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

According to the current estimates, our Group expects that the [REDACTED] from the issue of new Shares under the [REDACTED] in the sum of approximately HK\$[REDACTED] will be sufficient to finance the implementation of our Group’s current future plans up to 31 December 2019. In the event that the [REDACTED] from the [REDACTED] are insufficient to finance the expenditure as mentioned above, the shortfall will be financed by the internal resources and/or bank borrowings of our Group. To the extent that the [REDACTED] from the [REDACTED] are not immediately applied to the above purposes, we intend to deposit the [REDACTED] into short-term interest-bearing deposits with authorised financial institutions.

Bases and key assumptions of the business plans

The business objectives and strategies set out by our Directors are based on the following bases and assumptions:

- Our Group will have sufficient financial resources to meet the planned capital and operating expenditure and business development requirements during the period to which the business objectives relate;

FUTURE PLANS AND [REDACTED]

- There will be no material change in existing laws and regulations, or other government policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- There will be no change in the funding requirement for each of the implementation plans described under the paragraph headed “Implementation plans” in this section from the amount as estimated by our Directors;
- There will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- There will be no disasters, natural, political, legal or otherwise, which would materially disrupt the business or operations of our Group;
- Our Group will not be materially affected by the risk factors as set out under the section headed “Risk factors” in this document;
- Our Group will be able to retain key staff in the management and the main operational departments; and
- Our Group will be able to continue our operations in substantially the same manner as our Group had been operated during the Track Record Period and our Group will also be able to carry out our development plans without disruptions adversely affecting our operations or business objectives in any way.

IMPLEMENTATION PLANS

In order to implement the business objectives and strategies described above, the implementation plans of our Group are set forth below for each of the six-month periods commencing from the Latest Practicable Date until 31 December 2019. Investors should note that the following implementation plans are formulated on the bases and assumptions set out in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set out in section entitled “Risk Factors” of this document.

FUTURE PLANS AND [REDACTED]

For the period from the Latest Practicable Date to 31 December 2017

Business strategies	Implementation plans	[REDACTED]
Upgrade existing facilities, acquire new machinery and premises	● Acquire new tools and leather cutting machine	● HK\$[REDACTED]
	● Fit out heavy duty shelving in storage area of existing premises for PV electronic accessories and leather upholstery	● HK\$[REDACTED]
Strengthen our sales and marketing efforts	● (i) Engage a branding consultant to redefine our branding identity for B2C market and advertising our PV leather upholstery and electronic accessories to appeal to corporate and retail customers; and (ii) Visit, make presentation to, and develop relationships with existing and potential customers	● HK\$[REDACTED]
Expand our product offerings	● (i) Conduct market and design search on market trend of new PV leather upholstery and electronic accessories; and (ii) Recruit and train additional sales and marketing personnel, technicians and customer service personnel	● HK\$[REDACTED]
Upgrade and integrate of our information technology system	● Upgrade existing servers and implement a new ERP system, electronic documentation and cloud back up storage	● HK\$[REDACTED]

For the six months ending 30 June 2018

Business strategies	Implementation plans	[REDACTED]
Upgrade existing facilities, acquire new machinery and premises	● Acquire and renovate new premises to use as a showroom and workshop for PV leather upholstery and electronic accessories	● HK\$[REDACTED]
	● Buy new machinery such as sewing machine, lockstitch machine, pattern stitcher, skiving machine and embroidery machine; and commercial vehicles	● HK\$[REDACTED]
	● Upgrade existing PV leather upholstery work bay, renovate showroom and replace dated office furniture, upgrading safety and security features and electrical wiring of work area	● HK\$[REDACTED]
Strengthen our sales and marketing efforts	● Place advertisements in magazines, social media, websites and participate in motor roadshows to increase awareness of our brand and showcase our products	● HK\$[REDACTED]
Expand our product offerings	● (i) Source new products and create more interactive demonstration displays for presentation to existing and potential customers; and (ii) Recruit and train additional sales and marketing personnel, technicians and customer service personnel	● HK\$[REDACTED]
Upgrade and integrate of information technology system	● Migrate accounting record to new ERP system and implement automated payroll system, point of sale system and fixed assets management system	● HK\$[REDACTED]

FUTURE PLANS AND [REDACTED]

For the six months ending 31 December 2018

Business strategies	Implementation plans	[REDACTED]
Upgrade existing facilities, acquire new machinery and premises	<ul style="list-style-type: none"> • (i) Acquire and renovate the new premises to use as a warehouse; and (ii) Implement logistics management to maximise effective use of space, equipment and labour 	• HK\$[REDACTED]
Strengthen our sales and marketing efforts	<ul style="list-style-type: none"> • Enhance and improve our website content with more product information through digital search and social media and printing of brochures for our retail customers 	• HK\$[REDACTED]
Expand our product offerings	<ul style="list-style-type: none"> • (i) Continue to source new products and create more interactive demonstration displays for presentation to existing and potential customers; and (ii) Focus on retaining and training current and new hires to equip them with skills and knowledge of the products 	• HK\$[REDACTED]
Upgrade and integrate of information technology system	<ul style="list-style-type: none"> • Implement mobile job order system and warehouse and inventory tracking system 	• HK\$[REDACTED]

For the six months ending 30 June 2019

Business strategies	Implementation plans	[REDACTED]
Strengthen our sales and marketing efforts	<ul style="list-style-type: none"> • (i) Implement online platform to provide direct sales to retail customers; and (ii) Increase advertising expenditure and organise live demonstrations of our passenger vehicle electronic accessories in our showroom and continue to participate in motor roadshows 	• HK\$[REDACTED]
Expand our product offerings	<ul style="list-style-type: none"> • (i) Continue to source new products and create more interactive demonstration displays for presentation to existing and potential customers; and (ii) Focus on retaining and training current and new hires to equip them with skills and knowledge of the products 	• HK\$[REDACTED]
Upgrade and integrate of information technology system	<ul style="list-style-type: none"> • Maintenance of information technology systems and addition of equipment at headquarters and vehicle preparation centres and/or mobile van fleet 	• HK\$[REDACTED]

For the six months ending 31 December 2019

Business strategies	Implementation plans	[REDACTED]
Strengthen our sales and marketing efforts	<ul style="list-style-type: none"> • (i) Continue to maintain on-line platform to reach out to more retail customers; and (ii) continue to advertise and participate in marketing events as well as activities held by PV distributors and dealers 	• HK\$[REDACTED]
Expand our product offerings	<ul style="list-style-type: none"> • (i) Continue to source new products and create more interactive demonstration displays for presentation to existing and potential customers; and (ii) Focus on retaining and training current and new hires to equip them with skills and knowledge of the products 	• HK\$[REDACTED]

FUTURE PLANS AND [REDACTED]

REASONS FOR THE [REDACTED]

Our Directors believe that the [REDACTED] will facilitate the implementation of our business strategies as set out in “Business — Our Business Strategies”. The [REDACTED] from the [REDACTED] will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position as a leading PV leather upholstery and electronic accessories provider in Singapore and expand our market share.

Our Company is applying for [REDACTED] in Hong Kong because it has a high level of internationalisation, maturity in the global financial market, with sufficient institutional capital and funds following the companies listed in Hong Kong. Therefore, our Company believes that listed companies in Hong Kong generally have a high liquidity, greater exposure to a broad research coverage and investment community, which would facilitate our future fund raising should such need arise. Our Directors believe that the [REDACTED] would help to raise our Group’s brand awareness and publicity on an international level, making our Company’s services known to new potential customers. In addition, our Directors also believe that customers may prefer to do business with a listed company given its reputation, [REDACTED] status, public financial disclosures and general regulatory supervision by relevant regulatory bodies.

Our Directors further believe that the [REDACTED] 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 cost 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 document) as and when necessary. Furthermore, the ability to obtain bank financing is generally easier and cheaper with a listed entity as compared to a private entity;
- enhance our internal control and corporate governance practices, and increase the transparency in our operations and financial reporting. Our Directors are of the view that the [REDACTED] will help advertise our Group to existing and potential customers and suppliers and could also increase our customers’ and suppliers’ confidence in the quality of our products and services which may in turn attract potential customers;
- strengthen our competitiveness in the market through the [REDACTED]. It is expected that the brand recognition of our Group can be broadened through the [REDACTED] and our corporate profile will be enhanced, which in turn will help attract more customers. Our Directors believe that having a [REDACTED] status can enhance our corporate image and credibility with the public and potential business partners, and help our Group develop the B2C market with more media exposure;
- 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 [REDACTED];

FUTURE PLANS AND [REDACTED]

- enable our Company to offer an equity-based incentive programme (such as a share option scheme) to our employees that correlates more directly 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 our Shareholders; and

Having considered the benefits above, although the amount of the expenses for the [REDACTED] represents a significant proportion of the [REDACTED] from the [REDACTED], our Directors believe that the [REDACTED] is beneficial to us in the long run.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE. THE INFORMATION IN THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

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STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

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STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

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STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

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STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

","1MKA27 How to Apply 45625-04P3,"[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

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HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

APPENDIX I**ACCOUNTANT’S REPORT**

The following is the text of a report set out on pages I-1 to I-2, received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers]

[DRAFT]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TOMO HOLDINGS LIMITED AND FORTUNE FINANCIAL CAPITAL LIMITED

Introduction

We report on the historical financial information of TOMO Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-35, which comprises the combined balance sheets as at 31 December 2015 and 2016, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-35 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant

APPENDIX I**ACCOUNTANT’S REPORT**

considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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 the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the combined financial position of the Group as at 31 December 2015 and 2016 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 26 to the Historical Financial Information which contains information about the dividends paid by TOMO Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]

Certified Public Accountants

Hong Kong

[Date]

APPENDIX I

ACCOUNTANT’S REPORT

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the IAASB (“Underlying Financial Statements”).

The Historical Financial Information is presented in Singapore Dollar (“S\$”) except when otherwise indicated.

(A) Combined Statements of Comprehensive Income

	<i>Section II Note</i>	Year ended 31 December	
		2015	2016
		S\$	S\$
Revenue	6	11,470,263	13,081,710
Cost of sales	9	<u>(6,864,307)</u>	<u>(7,831,869)</u>
Gross profit		4,605,956	5,249,841
Other income	7	58,964	60,516
Other losses — net	8	(93,576)	(80,893)
Selling and distribution expenses	9	(391,346)	(426,557)
Administrative expenses	9	(840,452)	(1,154,938)
Finance cost — net	11	<u>(3,124)</u>	<u>(2,883)</u>
Profit before income tax		3,336,422	3,645,086
Income tax expense	12	<u>(524,086)</u>	<u>(629,000)</u>
Profit for the year		<u>2,812,336</u>	<u>3,016,086</u>
Profit and total comprehensive income for the year attributable to equity holders of the Company		<u>2,812,336</u>	<u>3,016,086</u>
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	13	<u>N/A</u>	<u>N/A</u>

APPENDIX I

ACCOUNTANT’S REPORT

(B) Combined Balance Sheets

	<i>Section II Note</i>	<u>As at 31 December</u>	
		<u>2015</u>	<u>2016</u>
		<u>S\$</u>	<u>S\$</u>
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,061,110	1,077,489
Intangible assets	15	—	—
Deferred tax assets	17	12,000	4,000
		<u>1,073,110</u>	<u>1,081,489</u>
Current assets			
Inventories	19	1,120,539	614,926
Trade and other receivables	18	1,877,216	2,925,580
Cash and cash equivalents	20	4,500,616	5,210,089
Fixed deposit	21	108,008	108,117
		<u>7,606,379</u>	<u>8,858,712</u>
Total assets		<u>8,679,489</u>	<u>9,940,201</u>
EQUITY AND LIABILITIES			
Capital and reserve attributable to equity holders of the company			
Combined capital	23	200,000	200,000
Retained earnings		7,118,927	8,135,013
Total equity		<u>7,318,927</u>	<u>8,335,013</u>
LIABILITIES			
Current liabilities			
Trade and other payables	24	845,241	1,101,864
Current income tax liabilities		457,923	503,324
Finance lease liabilities	25	57,398	—
		<u>1,360,562</u>	<u>1,605,188</u>
Total liabilities		<u>1,360,562</u>	<u>1,605,188</u>
Total equity and liabilities		<u>8,679,489</u>	<u>9,940,201</u>

APPENDIX I

ACCOUNTANT’S REPORT

(C) Combined Statements of Changes in Equity

	<i>Section II Note</i>	<u>Attributable to the equity holders of the Company</u>		
		<u>Combined share capital</u>	<u>Retained earnings</u>	<u>Total</u>
		<u>S\$</u>	<u>S\$</u>	<u>S\$</u>
At 1 January 2015		----- 200,000	----- 5,306,591	----- 5,506,591
Comprehensive income				
Profit for the year		----- —	----- 2,812,336	----- 2,812,336
Transactions with owners recognised directly in equity				
Dividends	26	----- —	----- (1,000,000)	----- (1,000,000)
Balance as at				
31 December 2015		----- 200,000	----- 7,118,927	----- 7,318,927
At 1 January 2016		----- 200,000	----- 7,118,927	----- 7,318,927
Comprehensive income				
Profit for the year		----- —	----- 3,016,086	----- 3,016,086
Transactions with owners recognised directly in equity				
Dividends	26	----- —	----- (2,000,000)	----- (2,000,000)
Balance as at				
31 December 2016		----- 200,000	----- 8,135,013	----- 8,335,013

APPENDIX I

ACCOUNTANT’S REPORT

(D) Combined Statements of Cash Flows

	<i>Section II Note</i>	<u>Year ended 31 December</u>	
		<u>2015</u>	<u>2016</u>
		S\$	S\$
Cash flow from operating activities			
Profit before income tax		3,336,422	3,645,086
Adjustments for:			
— Loss on disposal of property, plant and equipment	8	653	—
— Depreciation of property, plant and equipment	9, 14	137,510	157,009
— Amortisation of intangible assets		19,732	—
— Write-off of inventories		172,488	17,631
— Finance cost		3,232	2,992
— Finance income		(108)	(109)
Operating profit before working capital changes		3,669,929	3,822,609
Changes in working capital:			
— Inventories		(428,576)	487,982
— Trade and other receivables		125,279	(952,380)
— Trade and other payables		152,636	256,623
Cash generated from operations		3,519,268	3,614,834
Income tax paid		(439,128)	(575,599)
Net cash generated from operating activities		3,080,140	3,039,235
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		400	—
Purchase of property, plant and equipment		(109,051)	(173,388)
Interest received		108	109
Increase in fixed deposit-pledged		(108)	(109)
Net cash used in investing activities		(108,651)	(173,388)

APPENDIX I

ACCOUNTANT’S REPORT

	<i>Section II Note</i>	Year ended 31 December	
		2015	2016
		S\$	S\$
Cash flows from financing activities			
[REDACTED] paid		—	(95,984)
Repayment of finance lease		(98,870)	(57,398)
Interest paid		(3,232)	(2,992)
Dividends paid		<u>(1,000,000)</u>	<u>(2,000,000)</u>
Net cash used in financing activities		<u><u>(1,102,102)</u></u>	<u><u>(2,156,374)</u></u>
Net increase in cash and cash equivalents		1,869,387	709,473
Cash and cash equivalents at beginning of the year		<u>2,631,229</u>	<u>4,500,616</u>
Cash and cash equivalents at end of the year	<i>20</i>	<u><u>4,500,616</u></u>	<u><u>5,210,089</u></u>

Non-cash transaction

During the year ended 31 December 2015, the Company acquired S\$90,000 property, plant and equipment by means of finance lease.

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

TOMO Holdings Limited (“the Company”) was incorporated in the Cayman Islands on 16 January 2017 as an exempted company with limited liability under Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the “Group”) are principally engaged in the (i) design, manufacture, supply and installation of passenger vehicle leather upholstery; and (ii) supply and installation of passenger vehicle electronic accessories (the “[REDACTED]”). The controlling shareholders of the [REDACTED] are Mr. Siew Yew Khuen and Ms. Lee Lai Fong (the “Controlling Shareholders”).

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the “Reorganisation”) as described below, the principal activities were carried out by TOMO-CSE Autotrim Pte Ltd (“TOMO-CSE” or “Operating Company”) a company incorporated in Singapore. Tomo-CSE is collectively controlled by Mr. Siew Yew Khuen and Ms. Lee Lai Fong throughout the Track Record Period.

In preparation for [REDACTED] of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation to transfer the [REDACTED] to the Company principally through the following steps:

- a. On 6 January 2017, TOMO Ventures Limited (“TOMO Ventures”) was incorporated in the British Virgin Islands (“BVI”) by Mr. Siew Yew Khuen and Ms. Lee Lai Fong.
- b. On 16 January 2017, the Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares. On the same date, one nil-paid ordinary share was allotted and issued to TOMO Ventures.
- c. On 26 January 2017, TOMO Enterprises Limited (“TOMO Enterprises”) was incorporated in the BVI. On the same date, one fully-paid share of TOMO Enterprises, representing its entire issued share capital was allotted and issued to the Company.
- d. On [●], Mr. Siew Yew Khuen and Ms. Lee Lai Fong, TOMO Enterprises and the Company entered into a sale and purchase agreement, pursuant to which, Ms. Lee Lai Fong and Mr. Siew Yew Khuen transferred 200,000 shares, representing the entire issued share capital of TOMO-CSE, to TOMO Enterprises. The consideration is satisfied by Ms. Lee Lai Fong and Mr. Siew Yew Khuen procuring (a) the allotment and issuance of ninety-nine (99) shares by the Company to TOMO Ventures (as the nominee of Ms. Lee Lai Fong and Mr. Siew Yew Khuen), is credited as fully-paid and (b) the initial share held by TOMO Ventures is credited as fully-paid.

Upon completion of the Reorganisation, the Company has become the holding Company of the other companies comprising the Group.

APPENDIX I

ACCOUNTANT’S REPORT

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of companies	Principal activities	Country of operation/ incorporation	Date of incorporation	Particulars of share capital	Effective interest held as at 31 December ^(c)	
					2015	2016
					%	%
Directly held by the Company						
TOMO Enterprises ^(a)	Investment holding	British Virgin Islands	26 January 2017	US\$50,000	—	—
Indirectly held by the Company						
TOMO-CSE ^(b)	Passenger vehicle leather upholstery and electronic accessories	Singapore	27 October 1995	S\$200,000	100	100

- (a) No audited financial statements were issued for this company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.
- (b) The statutory auditors are Ang & Co Pac and PricewaterhouseCoopers LLP, Singapore for 2015 and 2016, respectively.
- (c) These represent effective interest held by the Group as at 31 December 2015 and 2016, except for TOMO Enterprises, which was incorporated on 26 January 2017.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [REDACTED] is conducted through the Operating Company. Pursuant to the Reorganisation, the Operating Company together with the [REDACTED] are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the [REDACTED] with no change in management of such business and the ultimate owners of the [REDACTED] remain the same. Accordingly, the combined financial information of the companies now comprising the Group is presented using the carrying values of the [REDACTED] for all periods presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by International Accounting Standards Board (the “IASB”). The Historical Financial Information have been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

APPENDIX I

ACCOUNTANT’S REPORT

The following new standards and amendments to standards have been published but are not yet effective for the Track Record Period and which the Group has not early adopted:

		Effective for annual periods beginning on or after	Note
IAS 7 (Amendment)	Statement of Cash Flows: Disclosure Initiative	1 January 2017	
IAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	
IFRS 9	Financial Instruments	1 January 2018	i
IFRS 15	Revenue from Contracts with Customers	1 January 2018	ii
IFRS 16	Leases	1 January 2019	iii

Note i:

IFRS 9 “Financial instruments” replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

During the Track Record Period, all of the Group’s financial assets and financial liabilities were carried at amortised costs without significant impairment on the former. The implementation of IFRS 9 is not expected to result in any significant impact on the Group’s financial position and results of operations.

Note ii:

IFRS 15 “Revenue from Contracts with Customers” — This new standard replaces the previous revenue standards: IAS 18 “Revenue” and IAS 11 “Construction Contracts”, and the related Interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset liability” approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

The Group major revenue stream is namely sale of passenger vehicle leather upholstery and electronic accessories, the performance obligations of which are substantially completed at the same point of time as the respective revenue is recognised in accordance with Note 2.17(a). Management has performed a preliminary assessment and expects that the implementation of the IFRS 15 would not result in any significant impacts on the Group’s financial position and results of operations. Meanwhile, there will be additional disclosure requirement under IFRS 15 upon its adoption.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

Note iii:

IFRS 16 Leases — The Group is a lessee of various office premises and staff accommodation which are currently classified as operating leases. The Group’s current accounting policy for such leases is set out in note 2.18. The Group’s operating lease commitments as at 31 December 2015 and 2016 amounting to S\$10,206 and S\$89,182, respectively, which are not reflected in the combined balance sheets, are set out in note 27. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the balance sheet. Instead, all long-term leases must be recognised in the balance sheet in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In profit or loss, rental expenses will be replaced with depreciation and interest expense. The impacts on the Group’s financial results and position upon the adoption of IFRS16 as lessor of finance leases and operating leases are not expected to be material. The new standard is not expected to be applied by the Group until the financial year ended 31 December 2019.

2.2 Subsidiaries

Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

Except for the Reorganisation as mentioned in Note 1.2, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined statement of comprehensive income.

APPENDIX I

ACCOUNTANT’S REPORT

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Historical Financial Information of the Company are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The Historical Financial Information is presented in Singapore Dollar (“S\$”), which is functional and presentation currency of the Company.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Useful lives</u>
Leasehold properties	30 years
Lightings, Renovation, Furniture & Fittings	3 to 5 years
Machinery and Motor Vehicles	5 years
Office Equipment and Computers	3 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains/losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within “Other losses — net” in the combined statement of comprehensive income.

2.5 Intangible assets

(a) *Acquired computer software license*

Acquired computer software licenses are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

APPENDIX I

ACCOUNTANT’S REPORT

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

(a) *Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables comprise “trade and other receivables” (Note 18), “cash and cash equivalents” (Note 20) and “fixed deposit” (Note 21) in the combined balance sheets.

(b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred substantially all risks and rewards of ownership. Loans and receivables are initially recognised at cost plus transaction costs and are subsequently carried at amortised cost using the effective interest method.

(c) *Impairment*

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such changes in arrears or economic conditions that correlate with defaults.

APPENDIX I

ACCOUNTANT’S REPORT

For loans and receivables category, the amount of the loss 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 been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statement of comprehensive income.

2.8 Inventories

Inventories for raw materials, finished goods and inventories held for resale are valued at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.10 Share capital and dividends

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distribution to the Company’s equity owners is recognised as a liability in the Group’s financial statements in the period in which the dividends are approved by the Company’s shareholders or directors, where appropriate.

2.11 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of comprehensive income.

APPENDIX I**ACCOUNTANT’S REPORT**

2.13 Borrowing costs

There were no qualifying assets during the Track Record Period. All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(d) Investment tax credit

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

APPENDIX I

ACCOUNTANT’S REPORT

2.15 Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the combined balance sheets.

2.16 Employee benefits

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group’s contributions to defined contribution plans are recognised in the financial year to which they relate.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and returns. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group’s activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction, the specifics of each arrangement and volume discounts.

(a) *Sale of passenger vehicle leather upholstery and electronic accessories*

Sale of passenger vehicle leather upholstery and electronic accessories is recognised when passenger vehicle leather upholstery and electronic accessories are delivered and installed, which is taken to be the point in time when the customer has accepted the goods and the collectability of the related receivables is reasonably assured.

(b) *Interest income*

Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

2.18 Leases

(a) *Finance leases*

Leases of assets in which the Group assumes substantially the risks and rewards of ownership, including hire purchase contracts, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance

APPENDIX I

ACCOUNTANT’S REPORT

outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on remaining balance of the liability for each period.

(b) Operating leases

Leases of assets in which a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payment made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Where an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.19 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants are recognised when the grant is received.

2.20 Provision

Provision for warranty is recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on historical experience of the level of repairs and replacements.

3 FINANCIAL RISK MANAGEMENT

The Group’s activities expose it to market risk (including currency risk and interest risk), credit risk and liquidity risk. The Group’s overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group has exposure to foreign exchange risk as a result of purchases that are denominated in currencies other than Singapore Dollar (“S\$”). The foreign currencies giving rise to this risk are primarily the United States Dollar (“US\$”) and Malaysia Ringgit (“MYR”). The exposure to foreign currency risk is not significant for both years.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group’s exposure to fluctuations in interest rates relates primarily to its debt obligations with financial institutions and its investment portfolio in fixed deposits. The Group manages its cost by using a fixed variable rate debt and to obtain the most favourable interest rates available.

The sensitivity analysis for changes in interest rate is not disclosed as the effect on the combined statement of comprehensive income is considered not significant.

APPENDIX I**ACCOUNTANT’S REPORT**

(b) Credit risk

Credit risk refer to the risk that the counter-party will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are bank deposits, trade receivables and fixed deposits. For trade receivables, the Group adopts policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counter-parties.

Credit exposure to an individual counter-party is restricted by credit limits that are approved by the directors based on on-going credit evaluation. The counter-party’s payment profile and credit exposure are continuously monitored by the directors of the Company.

The trade receivables of the Group comprise top 3 debtors that represented 91.0% and 88.1% of trade receivables as at 31 December 2015 and 2016 respectively. The Group has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

The credit risk for bank deposits, trade and other receivables and fixed deposit based on the information provided to key management is as follows:

(i) *Financial assets that are neither past due nor impaired*

Bank deposits and fixed deposit that are neither past due nor impaired are mainly deposits with regulated banks. Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired.

The aging analysis of trade receivables past due but not impaired is disclosed in Note 18 of this Historical Financial Information.

(c) Liquidity risk

Liquidity or funding risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group has no financial liabilities with maturity of more than one year. These balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The Group manages its liquidity risk by ensuring the availability of funding through its ability to operate profitably, maintaining sufficient cash to enable it to meet its normal operating commitments, having adequate amount of committed credit facilities.

(d) Capital risk management

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 its shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the years ended 31 December 2015 and 31 December 2016.

The Group monitors capital on the basis of gearing ratio. The gearing ratio is calculated as total debt divided by total capital. Total debt represents finance lease balance, and total capital is calculated as share capital plus retained earnings.

APPENDIX I

ACCOUNTANT’S REPORT

As at 31 December 2015 and 2016, the gearing ratios are as follow:

	As at 31 December	
	2015	2016
	S\$	S\$
Total debt	57,398	—
Total capital	7,318,927	8,335,013
Gearing ratio	0.01	N/A

(e) Fair value estimation

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Warranty provision

The Group gives 12–36 months warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised at the balance sheet date for expected warranty claims based on past experience of the level of repairs and returns. The Group made provision amounted to S\$215,279 and S\$228,957 as at 31 December 2015 and 2016, respectively.

(b) Impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of receivables, taking into account the debtors’ financial conditions, any recent settlement plan committed by the debtors, and their status of settlement historically and subsequent to period end. Provisions for impairment are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible.

The identification of doubtful debts requires the use of judgement and estimates and the changes in the estimated provision in the past were mainly caused by changes in the above factors underlying the provision assessment. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed. There has been no significant shortfall in these estimates against actual results.

(c) Allowance for slow-moving inventory

A review is made periodically on inventory for excess inventory and decline in net realisable value below cost and an allowance will be made against the inventory balance for any such decline. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventory. No allowance was made for such decline as at the financial year ended.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company’s Board of Directors. The executive directors review the performance of the Group’s operations mainly from a business operation perspective. The Group is organised into two main business segments, namely (i) passenger vehicle leather upholstery; and (ii) passenger vehicle electronic accessories. The passenger vehicle leather upholstery segment mainly represents the business of supplying and installing passenger vehicle leather upholstery to passenger vehicle distributors and dealers. The passenger vehicle electronic accessories segment represents the business of supplying and installing passenger vehicle electronic accessories to passenger vehicle distributors and dealers. Those passenger vehicle distributors and dealers are located in Singapore.

APPENDIX I

ACCOUNTANT’S REPORT

Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/loss before income tax. The adjusted profit/loss before income tax is measured consistently with the Group’s profit/loss before income tax except that interest income, interest expenses, inter-segment transactions as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude intra-group balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude intra-group balances and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Passenger vehicle leather upholstery		Passenger vehicle electronic accessories		Total	
	2015	2016	2015	2016	2015	2016
	S\$	S\$	S\$	S\$	S\$	S\$
Segment revenue	<u>3,566,542</u>	<u>4,482,232</u>	<u>7,903,721</u>	<u>8,599,478</u>	<u>11,470,263</u>	<u>13,081,710</u>
Segment profit	1,087,534	1,305,145	2,409,362	2,499,942	3,496,896	3,805,087
Depreciation	(45,523)	(55,020)	(50,238)	(62,328)	(95,761)	(117,348)
Finance costs	(1,005)	(1,026)	(2,227)	(1,966)	(3,232)	(2,992)
Unallocated expenses:						
Depreciation					(41,749)	(39,661)
Amortisation					<u>(19,732)</u>	<u>—</u>
Profit before tax					3,336,422	3,645,086
Tax expense					<u>(524,086)</u>	<u>(629,000)</u>
Profit for the year					<u>2,812,336</u>	<u>3,016,086</u>
Segment assets	314,688	390,459	1,110,395	563,832	1,425,083	954,291
Unallocated assets:						
Cash and cash equivalents					4,500,616	5,210,089
Trade and other receivables					1,877,216	2,925,580
Properties, plant and equipment					756,565	738,124
Other					<u>120,009</u>	<u>112,117</u>
Total assets					<u>8,679,489</u>	<u>9,940,201</u>
Additions to properties, plant and equipment	51,603	45,338	114,322	78,492	165,925	123,830
Segment liabilities	164,101	133,736	97,392	201,496	261,493	335,232
Unallocated liabilities:						
Trade and other payables					583,748	766,632
Current income tax liabilities					457,923	503,324
Finance lease liabilities					<u>57,398</u>	<u>—</u>
Total liabilities					<u>1,360,562</u>	<u>1,605,188</u>

For the years ended 31 December 2015 and 2016, revenue generated from our top five customers accounted for approximately 93.9% and 92.1% of our total revenue, respectively.

APPENDIX I

ACCOUNTANT’S REPORT

6 REVENUE

	Year ended 31 December	
	2015	2016
	S\$	S\$
Sales and installation of goods	<u>11,470,263</u>	<u>13,081,710</u>

7 OTHER INCOME

	Year ended 31 December	
	2015	2016
	S\$	S\$
Wages Credit Scheme	9,637	32,252
Special Employment Credit	15,784	20,118
Productivity and Innovation Credit bonus	33,432	8,146
Sundry income	<u>111</u>	<u>—</u>
	<u>58,964</u>	<u>60,516</u>

Special Employment Credit, Wages Credit Scheme and Productivity and Innovation Credit bonus are incentives introduced by the Singapore government to help business alleviate business costs in a tight labour market and to support business investments. These incentives are in the form of cash payout.

8 OTHER LOSSES — NET

	Year ended 31 December	
	2015	2016
	S\$	S\$
Foreign exchange loss — net	(92,923)	(80,893)
Loss on disposal of property, plant and equipment	<u>(653)</u>	<u>—</u>
	<u>(93,576)</u>	<u>(80,893)</u>

APPENDIX I

ACCOUNTANT’S REPORT

9 EXPENSES BY NATURE

	Year ended 31 December	
	2015	2016
	S\$	S\$
Costs of inventories	4,962,776	5,901,115
Freight and forwarding charges	29,431	26,799
Employee benefit costs (<i>Note 10</i>)	2,060,155	2,280,305
Depreciation of property, plant and equipment (<i>Note 14</i>)	137,510	157,009
Amortisation of intangible assets (<i>Note 15</i>)	19,732	—
Rental expenses on operating lease	51,612	54,052
Commission	61,844	58,367
Entertainment	79,643	79,197
Motor vehicles expenses	47,630	38,643
Insurance	45,774	42,346
Travelling expenses	30,305	43,319
Advertisement	13,062	12,763
Auditor’s remuneration	10,450	20,000
Write-off of inventories	172,488	17,631
Warranty cost	203,088	211,390
[REDACTED]	—	292,567
Other operating expenses	170,605	177,861
	<u>8,096,105</u>	<u>9,413,364</u>

10 EMPLOYEE BENEFIT COSTS — INCLUDING DIRECTORS’ EMOLUMENTS

(a) Employee benefit expenses during the years are as follows:

	Year ended 31 December	
	2015	2016
	S\$	S\$
Wages, salaries and allowances	1,811,547	2,008,983
Retirement benefit costs — defined contribution plans	109,652	126,968
Others	138,956	144,354
	<u>2,060,155</u>	<u>2,280,305</u>

APPENDIX I

ACCOUNTANT’S REPORT

(b) Directors’ emoluments

The remuneration of every director for the year ended 31 December 2015 is set out below:

<u>Name of director</u>	<u>Fees</u>	<u>Salaries, allowances, and benefits in kind</u>	<u>Employer’s contribution to defined contribution plans</u>	<u>Other benefits</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$
Executive directors					
Mr. Siew Yew Khuen	—	300,135	7,200	—	307,335
Ms. Lee Lai Fong	—	180,135	7,200	—	187,335
Mr. Siew Yew Wai	—	85,839	10,812	—	96,651
	—	566,109	25,212	—	591,321

The remuneration of every director for the year ended 31 December 2016 is set out below:

<u>Name of director</u>	<u>Fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Employer’s contribution to defined contribution plans</u>	<u>Other benefits</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$
Executive directors					
Mr. Siew Yew Khuen	—	300,135	9,360	—	309,495
Ms. Lee Lai Fong	—	180,135	9,360	—	189,495
Mr. Siew Yew Wai	—	102,735	13,770	—	116,505
	—	583,005	32,490	—	615,495

During the Track Record Period, none of the directors of the Company waived any emoluments paid or payable by the Group companies and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(i) *Directors’ retirement benefits*

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the Track Record Period.

(ii) *Directors’ termination benefits*

No payment was made to directors as compensation for the early termination of the appointment during the Track Record Period.

(iii) *Consideration provided to third parties for making available directors’ services*

No payment was made to the former employer of directors for making available the services of them as a director of the Company during the Track Record Period.

(iv) *Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors*

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

APPENDIX I

ACCOUNTANT’S REPORT

(v) *Directors’ material interests in transactions, arrangements or contracts*

No significant transactions, arrangements and contracts in relation to the Company’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

Mr. Siew Yew Khuen, Ms. Lee Lai Fong and Mr. Siew Yew Wai were appointed as the Company’s executive directors on 16 January 2017. Mr. Clarence Tan, Mr. Lim Cher Hong and Mr. Gary Chan were appointed as the Company’s independent non-executive directors on [●].

During the Track Record Period, the independent non-executive directors had not been appointed and therefore did not receive any remuneration in their capacity as the Company’s directors.

(c) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Company include 3 executive directors for the years ended 31 December 2015 and 2016, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals for the years ended 31 December 2015 and 2016 are as follows:

	Year ended 31 December	
	2015	2016
	S\$	S\$
Wages, salaries and allowances	145,802	155,980
Retirement benefit costs — defined contribution plans	15,860	17,497
	<u>161,662</u>	<u>173,477</u>

The emoluments of above individuals are within the following band:

	Number of individuals	
	2015	2016
Emoluments band		
Nil — HK\$1,000,000 (equivalent to S\$185,328)	<u>2</u>	<u>2</u>

11 FINANCE COST — NET

	Year ended 31 December	
	2015	2016
	S\$	S\$
Interest expense on finance leases	(3,232)	(2,992)
Interest income from bank deposits	108	109
Finance cost — net	<u>(3,124)</u>	<u>(2,883)</u>

12 INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Singapore profits tax has been provided at the rate of 17% on the estimated assessable profit during the Track Record Period.

APPENDIX I

ACCOUNTANT’S REPORT

The amount of income tax expense charged to the combined statement of comprehensive income represents:

	Year ended 31 December	
	2015	2016
	S\$	S\$
Current income tax	533,086	621,000
Deferred income tax (<i>Note 17</i>)	(9,000)	8,000
Income tax expense	524,086	629,000

The tax on the Group’s profit before income tax differs from the theoretical amount as follows:

	Year ended 31 December	
	2015	2016
	S\$	S\$
Profit before income tax	3,336,422	3,645,086
Tax calculated at domestic tax rate of 17%	567,192	619,665
Tax effect of:		
— expenses not deductible for tax purposes	12,290	61,027
— non-taxable income	(7,640)	(3,065)
Singapore statutory income exemption	(49,357)	(45,925)
Others	1,601	(2,702)
Income tax expense	524,086	629,000

13 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion is not considered meaningful due to the Reorganisation and the presentation of the results for the Track Record Period on a combined basis as disclosed in Note 1.3 of this section.

The Group does not have any potential dilutive option or other instruments relating to ordinary shares.

APPENDIX I

ACCOUNTANT'S REPORT

14 PROPERTIES, PLANT AND EQUIPMENT

	Leasehold properties	Lightings, Renovation, Furniture & Fittings	Machinery & Motor Vehicles	Office Equipment and Computers	Total
	S\$	S\$	S\$	S\$	S\$
At 1 January 2015					
Cost	1,150,227	183,246	516,881	73,069	1,923,423
Accumulated depreciation	<u>(392,247)</u>	<u>(165,437)</u>	<u>(310,427)</u>	<u>(54,690)</u>	<u>(922,801)</u>
Net book amount	<u>757,980</u>	<u>17,809</u>	<u>206,454</u>	<u>18,379</u>	<u>1,000,622</u>
Year ended 31 December 2015					
Opening net book amount	757,980	17,809	206,454	18,379	1,000,622
Additions	—	17,854	165,925	15,272	199,051
Depreciation	(42,504)	(9,556)	(67,425)	(18,025)	(137,510)
Disposal	<u>—</u>	<u>—</u>	<u>(408)</u>	<u>(645)</u>	<u>(1,053)</u>
Closing net book amount	<u>715,476</u>	<u>26,107</u>	<u>304,546</u>	<u>14,981</u>	<u>1,061,110</u>
At 1 January 2016					
Cost	1,150,227	201,100	658,306	84,041	2,093,674
Accumulated depreciation	<u>(434,751)</u>	<u>(174,993)</u>	<u>(353,760)</u>	<u>(69,060)</u>	<u>(1,032,564)</u>
Net book amount	<u>715,476</u>	<u>26,107</u>	<u>304,546</u>	<u>14,981</u>	<u>1,061,110</u>
Year ended 31 December 2016					
Opening net book amount	715,476	26,107	304,546	14,981	1,061,110
Additions	—	25,086	123,830	24,472	173,388
Depreciation	(42,504)	(15,131)	(89,012)	(10,362)	(157,009)
Disposal	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Closing net book amount	<u>672,972</u>	<u>36,062</u>	<u>339,364</u>	<u>29,091</u>	<u>1,077,489</u>

Depreciation expense of S\$95,761 and S\$41,749 has been charged to cost of sales and administrative expenses, respectively, for the year ended 31 December 2015.

Depreciation expense of S\$117,348 and S\$39,661 has been charged to cost of sales and administrative expenses, respectively, for the year ended 31 December 2016.

Bank facilities are secured on legal mortgage of the leasehold properties with carrying values totalling S\$715,476 and S\$672,972 as at 31 December 2015 and 2016 (Note 22).

As at 31 December 2015, finance leases of S\$57,398 are secured by motor vehicles with net book value of S\$154,562. There is no outstanding balance as at 31 December 2016.

Included within additions in the Historical Financial Information were machinery and motor vehicles acquired under finance leases amounting to S\$90,000 and nil for the years ended 31 December 2015 and 2016 respectively.

APPENDIX I

ACCOUNTANT’S REPORT

The net book value of motor vehicles held under finance lease obligations comprise:

	As at 31 December	
	2015	2016
	S\$	S\$
Cost — capitalised finance leases	165,925	—
Accumulated depreciation	(11,363)	—
Net book amount	154,562	—
15 INTANGIBLE ASSET		
Computer software		S\$
At 1 January 2015		
Cost		59,194
Accumulated amortisation		(39,462)
Net book amount		19,732
Year ended 31 December 2015		
Opening net book amount		19,732
Additions		—
Amortisation		(19,732)
Disposal		—
Closing net book amount		—
At 1 January 2016		
Cost		59,194
Accumulated amortisation		(59,194)
Net book amount		—
Year ended 31 December 2016		
Opening net book amount		—
Additions		—
Amortisation		—
Disposal		—
Closing net book amount		—

APPENDIX I

ACCOUNTANT’S REPORT

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2015	2016
	S\$	S\$
Assets as per combined balance sheets		
Loans and receivables		
— Trade and other receivables	1,836,514	2,381,661
— Cash and cash equivalents	4,500,616	5,210,089
— Fixed deposit	108,008	108,117
Total	6,445,138	7,699,867
Liabilities as per combined balance sheets		
Other financial liabilities subsequently measured at amortised cost		
— Trade and other payables	845,241	1,101,864
— Finance lease liabilities	57,398	—
Total	902,639	1,101,864

17 DEFERRED INCOME TAX

The analysis of deferred income tax asset/(liability) is as follows:

	As at 31 December	
	2015	2016
	S\$	S\$
Deferred income tax asset:		
— Deferred income tax liability to be settled after more than 12 months	(24,000)	(35,000)
— Deferred income tax asset to be settled within 12 months	36,000	39,000
	12,000	4,000

The net movements in the deferred income tax account are as follows:

	As at 31 December	
	2015	2016
	S\$	S\$
At beginning of the year	3,000	12,000
Credited/(charged) to combined statements of comprehensive income (Note 12)	9,000	(8,000)
At end of the year	12,000	4,000

APPENDIX I

ACCOUNTANT’S REPORT

The movements in deferred income tax during the Track Record Period are as follows:

Deferred income asset:

	Provision of warranty
	S\$
At 1 January 2015	22,000
Credited to combined statements of comprehensive income	<u>14,000</u>
At 31 December 2015	<u><u>36,000</u></u>
At 1 January 2016	36,000
Credited to combined statements of comprehensive income	<u>3,000</u>
At 31 December 2016	<u><u>39,000</u></u>

Deferred income liability:

	Accelerated tax depreciation
	S\$
At 1 January 2015	19,000
Charged to combined statements of comprehensive income	<u>5,000</u>
At 31 December 2015	<u><u>24,000</u></u>
At 1 January 2016	24,000
Charged to combined statements of comprehensive income	<u>11,000</u>
At 31 December 2016	<u><u>35,000</u></u>

18 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2016
	S\$	S\$
Trade receivables (<i>Note a</i>):		
— Third parties	<u>1,825,768</u>	<u>2,375,558</u>
Rental and other deposits	7,546	6,103
Advance payment to suppliers	39,862	60,571
Prepayment of [REDACTED]	—	482,382
Prepayment of operating expenses	840	966
Others	<u>3,200</u>	<u>—</u>
	<u>51,448</u>	<u>550,022</u>
Less: non-current portion	<u>—</u>	<u>—</u>
	<u><u>1,877,216</u></u>	<u><u>2,925,580</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

(a) **Trade receivables**

	As at 31 December	
	2015	2016
	S\$	S\$
Trade receivables	1,825,768	2,375,558
Less: provision for impairment of trade receivables	—	—
	<u>1,825,768</u>	<u>2,375,558</u>

The carrying amounts of trade receivables approximate their fair values.

The Group normally grants credit terms to its customers within 30 days. The aging analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2015	2016
	S\$	S\$
Unbilled revenue	241,555	508,310
1 to 30 days	1,013,976	1,109,699
31 to 60 days	553,956	626,967
61 to 90 days	11,310	130,154
91 to 150 days	4,971	428
	<u>1,825,768</u>	<u>2,375,558</u>

As at 31 December 2015 and 2016, trade receivable of S\$570,237 and S\$757,549 were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

The aging analysis of the trade receivables based on due date is as follows:

	As at 31 December	
	2015	2016
	S\$	S\$
Not yet past due	1,255,531	1,618,009
Past due but not impaired		
1 to 30 days	553,956	626,967
31 to 60 days	11,310	130,154
Over 60 days	4,971	428
	<u>1,825,768</u>	<u>2,375,558</u>

The carrying amounts of the Group’s trade receivables are denominated in S\$.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

APPENDIX I

ACCOUNTANT’S REPORT

19 INVENTORIES

	<u>As at 31 December</u>	
	<u>2015</u>	<u>2016</u>
	S\$	S\$
Goods on hand		
Raw materials	27,994	41,405
Finished goods	<u>1,092,545</u>	<u>573,521</u>
	<u>1,120,539</u>	<u>614,926</u>

The cost of inventories included in cost of sales amounted to S\$4,962,776 and S\$5,901,115 for the year ended 31 December 2015 and 2016, respectively.

The Group has written off inventories included in cost of sales amounted to S\$172,488 and S\$17,631 in the year ended 31 December 2015 and 2016, respectively.

20 CASH AND CASH EQUIVALENTS

	<u>As at 31 December</u>	
	<u>2015</u>	<u>2016</u>
	S\$	S\$
Cash at banks	4,500,289	5,210,004
Cash on hand	<u>327</u>	<u>85</u>
	<u>4,500,616</u>	<u>5,210,089</u>

The Group’s cash and cash equivalents are denominated in the following currencies:

	<u>As at 31 December</u>	
	<u>2015</u>	<u>2016</u>
	S\$	S\$
US\$	4,500,616	4,879,511
US\$	—	619
HK\$	<u>—</u>	<u>329,959</u>
	<u>4,500,616</u>	<u>5,210,089</u>

21 FIXED DEPOSIT

The fixed deposit bears interest at 0.1% per annum and has maturity period of 92 days for 2015 and 2016. The deposit is denominated in Singapore Dollar and pledged to the banking facilities (Note 22).

22 BANKING FACILITIES

The Group’s banking facilities are secured by pledge of the Group’s fixed deposit of S\$108,008 and S\$108,117 (Note 21) and by the Group’s leasehold properties with carrying values totalling S\$715,476 and S\$672,972 (Note 14) as at 31 December 2015 and 2016 respectively. They are also secured by personal guarantees of Mr. Siew Yew Khuen and Ms. Lee Lai Fong, both executive directors of the Company. In February 2017, the personal guarantees in relation to the banking facilities were released (Note 30).

APPENDIX I

ACCOUNTANT’S REPORT

23 COMBINED CAPITAL

The Reorganisation was not completed as at 31 December 2016. For the purpose of preparing the Historical Financial Information, the combined capital in the combined balance sheets as at 31 December 2015 and 2016 represents the share capital of TOMO-CSE, the Operating Company of the [REDACTED].

24 TRADE AND OTHER PAYABLES

	As at 31 December	
	2015	2016
	S\$	S\$
Trade payables (<i>Note a</i>)		
— Third parties	261,493	335,232
Other payables and accruals		
— Accrued operating expenses	135,775	188,602
— Provision for warranty cost (<i>Note b</i>)	215,279	228,957
— Accrued [REDACTED]	—	100,711
— Goods and services tax payables	110,790	136,706
— Others	121,904	111,656
	<u>583,748</u>	<u>766,632</u>
	<u>845,241</u>	<u>1,101,864</u>

Trade payables are non-interest bearing and are normally settled on 60 days’ terms.

(a) Trade payables

As at 31 December 2015 and 2016, the aging analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2015	2016
	S\$	S\$
1 to 30 days	193,157	335,232
31 to 60 days	68,336	—
61 to 90 days	—	—
Over 90 days	—	—
	<u>261,493</u>	<u>335,232</u>

The carrying amounts of the Group’s trade payables are denominated in Singapore Dollar, United States Dollar and Malaysian Ringgit. The carrying amounts of trade payables approximate their fair values.

APPENDIX I

ACCOUNTANT’S REPORT

(b) Provision for warranty cost

The movement in provision for warranty cost during the Track Record Period are as follows:

At 1 January 2015	130,831
Provisions utilised	(118,640)
Provisions made	<u>203,088</u>
At 31 December 2015	<u><u>215,279</u></u>
At 1 January 2016	215,279
Provisions utilised	(197,712)
Provisions made	<u>211,390</u>
At 31 December 2016	<u><u>228,957</u></u>

25 FINANCE LEASE LIABILITIES

The Group leases certain motor vehicles from third parties under finance lease. As at 31 December 2015 and 2016, the Group’s finance lease was repayable as follows:

	<u>As at 31 December</u>	
	<u>2015</u>	<u>2016</u>
	S\$	S\$
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	60,390	—
Later than 1 year and no later than 5 years	<u>—</u>	<u>—</u>
Future finance charges on finance leases	<u>(2,992)</u>	<u>—</u>
Present value of finance lease liabilities	<u><u>57,398</u></u>	<u><u>—</u></u>
The present value of finance lease liabilities is as follows:		
No later than 1 year	57,398	—
Later than 1 year and no later than 5 years	<u>—</u>	<u>—</u>
	<u><u>57,398</u></u>	<u><u>—</u></u>

Effective interest rates on the finance leases bears interest at 6.48% and 6.25% per annum during the years ended 31 December 2015 and 2016.

The carrying amounts of the finance leases are denominated in S\$.

This finance leases are secured/guaranteed by:

- (i) motor vehicles with net book value of S\$154,562 as at 31 December 2015; and
- (ii) personal guarantees executed by Mr. Siew Yew Kuen and Ms. Lee Lai Fong, both are the executive directors of the Company.

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group.

APPENDIX I

ACCOUNTANT’S REPORT

26 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends during each of the years ended 31 December 2015 and 2016 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for each of the years ended 31 December 2015 and 2016. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

27 OPERATING LEASE COMMITMENTS

The Group leases office premises and staff accommodation from third parties under non-cancellable operating lease agreement.

The future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and staff accommodation are as follows:

	<u>As at 31 December</u>	
	<u>2015</u>	<u>2016</u>
	S\$	S\$
— No later than 1 year	10,206	39,004
— Later than 1 year and not later than 5 years	—	50,178
	<u>10,206</u>	<u>89,182</u>

Minimum lease payments for office premises and staff accommodation recognised as an expense in combined statements of comprehensive income for the year ended 31 December 2016 amounted to S\$36,076 (2015: S\$33,636) and S\$8,350 (2015: S\$16,800) respectively.

There was no option for renewal of the tenancies.

The Group has no other material commitments as at 31 December 2015 and 2016.

28 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 31 December 2015 and 2016.

29 RELATED PARTY TRANSACTIONS

For the purposes of this Historical Financial Information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals were related parties that had material transactions or balances with the Group during the years ended 31 December 2015 and 2016:

<u>Name of the related party</u>	<u>Relationship with the Group</u>
Mr. Siew Yew Khuen	A shareholder and executive director of the Company
Ms. Lee Lai Fong	A shareholder and executive director of the Company
Mr. Siew Yew Wai	An executive director of the Company

APPENDIX I**ACCOUNTANT’S REPORT**

In addition to the related party information disclosed above, the following set out the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Track Record Period.

(a) Key management compensation

Key management represents executive directors of the Company. The compensation paid or payable to key management for employee services is disclosed Note 10(b).

30 EVENTS AFTER THE BALANCE SHEET DATE

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 December 2016:

- (a) The Reorganisation was completed on [●] and the details are summarised in Note 1.2.
- (b) In February 2017, the personal guarantees in relation to the banking facilities were released.
- (c) By a shareholders’ resolution dated [●] and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company’s shares, the Company will issue additional [●] shares, credited as fully paid, to the existing shareholders of the Company.
- (d) By a shareholders’ resolution dated [●], the Company conditionally adopted a share option scheme under which the board of directors may grant options to the employees, directors or other selected participants of the Group to acquire shares of the Company. No options have been granted up to the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2016 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2016.

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

","1MKA31 App II 45625-04P3,"[REDACTED]

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR 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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 January 2017 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

(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 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 the shares or any class of shares may (unless otherwise provided for by the terms of issue 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. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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 ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed 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 transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to 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 requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made 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 ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. 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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, 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, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions 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 Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange 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 are 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 is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not 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*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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 Companies Law to be exercised or done by the Company in general meeting.

(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 assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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 ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be 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 may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making 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 ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, 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*

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(viii) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, 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 thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

- (bb) any contract or arrangement for 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 himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or 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 contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(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, in the case of such members as 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 in accordance with the Articles.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(iii) *Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is 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 and place of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange or placing it on the Company's website or the website of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(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, but the absence of a quorum shall not preclude the appointment of a chairman.

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 is 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 is 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) 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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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 whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of 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 or bonuses unclaimed for six years after having been declared may be forfeited by the board and 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.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) 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 amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst 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 amongst the members as such shall be 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of 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 divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company’s operations must be conducted mainly outside the Cayman Islands. The Company is 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

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), 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, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. 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 shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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 purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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 to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions 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:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 21 February 2017.

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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law 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.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company’s principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of 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 sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must 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.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this document. 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.

FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 16 January 2017. Our Company has established a place of business in Hong Kong at 57/F, The Center, 99 Queen’s Road Central, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 16 February 2017. In connection with such registration, Mr. Man Yun Wah has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this document.

2. Changes in authorised and issued share capital of our Company

Our Company was incorporated in the Cayman Islands on 16 January 2017 and the one nil-paid subscriber Share was transferred to TOMO Ventures on the same date. The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.

On [●], the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares of HK\$0.01 each which rank *pari passu* in all respect with the existing Shares.

Save as disclosed in this document, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this document and up to the Latest Practicable Date.

3. Resolutions in writing of the sole Shareholder passed on [●]

Pursuant to the resolutions in writing passed by the sole Shareholder on [●]:

- (a) our Company adopted the new memorandum of association with immediate effect and conditionally adopted the new articles of association with effect from the [REDACTED];
- (b) our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each;
- (c) our Company adopted the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “14. Share Option Scheme” below, and our Directors were authorised to grant options to subscribe for the Share thereunder and, conditional on the [REDACTED] of the Stock Exchange granting of the [REDACTED] of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options granted under the

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Share Option Scheme on or before the date falling 30 days after the date of this document, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme;

- (d) conditional on the [REDACTED] of the Stock Exchange granting the [REDACTED] of, and permission to deal in the Shares in issue and to be issued as mentioned in this document and on the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before the day falling 30 days after the date of this document:
- (i) the [REDACTED] was approved and our Directors were authorised to allot and issue the new Shares under the [REDACTED];
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “14. Share Option Scheme” below, were approved and adopted and our Directors were authorised to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorised to capitalise approximately HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for allotment and issue to the sole Shareholder whose names appear on the register of members of our Company as at the close of business on the Business Day immediately before the [REDACTED] in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company so that the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;
 - (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the articles of association of our Company, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the [REDACTED] or the [REDACTED], Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme); and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable Cayman Islands law to be

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors as set out in this paragraph (v), whichever occurs first;

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase the Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (vi), whichever occurs first; and
- (vi) the general unconditional mandate mentioned in paragraph (v) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company bought back by our Company pursuant to the mandate to repurchase Shares as referred to in paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding the Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Reorganisation

Our Group underwent the Reorganisation to rationalise our Group’s structure in preparation for the [REDACTED]. For information relating to the Reorganisation, please refer to the section headed “History, Reorganisation and Group Structure” in this document.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in the Accountant’s Report, the text of which is set out in Appendix I to this document.

Save as disclosed in section headed “History, Reorganisation and Group Structure” in this document, there has been no alteration in the registered share capital of any of the subsidiaries of our Group during the two years immediately preceding the date of this document.

6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchase 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, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolutions in writing passed by the sole Shareholder on [●], the Repurchase Mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or 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, of an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme). The Repurchase Mandate will expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the sole Shareholder in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(ii) Source of funds

Repurchase by our Company must be paid out of funds legally available for the purpose in accordance with our Company's Memorandum and Articles of Association and the Companies Law. 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 from time to time. Under Cayman Islands law, any repurchase by our Company may only be made out of profits of our Company, or out of share premium account, or out of the proceeds of a fresh issue of share made for the purpose of the repurchase, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of profits of our Company or from sums standing to the credit of our Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

(iii) *Connected parties*

A company is prohibited from knowingly repurchasing securities from a “core connected person”, which includes, a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective close associates and a core connected person shall not knowingly sell his/her securities to our Company, on the Stock Exchange.

(b) *Reasons for repurchase*

Our Directors believe that it is in the best interests of our Company and the sole Shareholder for our Directors to have general authority from the sole Shareholder to enable our Company to repurchase Shares in the market. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or [REDACTED] and will only be made if our Directors believe that such repurchase will benefit our Company and the sole Shareholder.

(c) *Funding of repurchase*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED] of the Shares on the Stock Exchange, would result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

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 and regulations of the Cayman Islands.

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

No connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

If, as a result of a securities repurchase, a Shareholder’s proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of 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.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**7. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) the sale and purchase agreement dated [●] entered into among Ms. Lee, Mr. David Siew, TOMO Enterprises and our Company for the transfer of the entire issued share capital of TOMO-CSE to our nominee, TOMO Enterprises, in consideration of (i) our Company allotting and issuing 99 Shares to TOMO Ventures, being the nominee of Ms. Lee and Mr. David Siew, credited as fully paid and (ii) the initial Share held by TOMO Ventures credited as fully paid;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition; and
- (d) the [REDACTED].


APPENDIX IV

STATUTORY AND GENERAL INFORMATION


8. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group is applying for the registration of the following trademarks:

<u>Trademark</u>	<u>Applicant</u>	<u>Class</u>	<u>Place of application</u>	<u>Trademark application number</u>	<u>Application date</u>
TOMO-CSE	TOMO-CSE	9, 12 and 18	Singapore	40201700339Q	5 January 2017
TOMO Holdings	TOMO-CSE	9 and 12	Hong Kong	304006944	29 December 2016
	TOMO-CSE	9 and 12	Hong Kong	304006953	29 December 2016

As at the Latest Practicable Date, our Group has registered the following trademark:

<u>Trademark</u>	<u>Registrant</u>	<u>Class</u>	<u>Place of registration</u>	<u>Trademark registration number</u>	<u>Registration date</u>
	TOMO-CSE	9, 12 and 18	Singapore	T1304075B	6 March 2013

(b) Domain name

As at the Latest Practicable Date, our Group has registered the following domain names:

<u>Domain name</u>	<u>Registrant</u>	<u>Expiry date</u>
www.thetomogroup.com	TOMO-CSE	6 December 2021

Information contained in the above website does not form part of this document.

Save as disclosed above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF**9. Particulars of Directors’ service contracts and letters of appointment****(a) Executive Directors’ service contracts**

Each of our executive Directors has entered into a service contract with our Company on [●]. The terms and conditions of each of such service contracts are similar in all material aspects. Each service contract is for an initial term of three years with effect from the [REDACTED] and shall continue thereafter unless and until it is terminated by our Company or our Director giving to the other not less than three months’ prior notice in writing. Under the service contracts, the initial annual salary payable to our executive Directors is as follows:

<u>Name</u>	<u>Amount</u>
Ms. Lee	S\$[240,000]
Mr. David Siew	S\$[360,000]
Mr. Richard Siew	S\$[93,600]

Each of our executive Directors is entitled to a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of that executive Director. Each of our executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and discretionary bonus payable to himself or herself.

(b) Independent non-executive Directors’ letters of appointment

Each of our independent non-executive Directors has entered into a letter of appointment with our Company on [●]. Each letter of appointment is for an initial term of one year commencing from the [REDACTED] and shall continue thereafter unless terminated by either party giving at least one month’s notice in writing. Under the letters of appointment, the annual director’s fees payable to our independent non-executive Directors are as follows:

<u>Name</u>	<u>Amount</u>
Mr. Clarence Tan Kum Wah	S\$[43,600]
Mr. Lim Cher Hong	S\$[43,600]
Mr. Gary Chan Ka Leung	S\$[43,600]

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(c) Directors’ remuneration

During the Track Record Period, the aggregate of the remuneration (including salaries and allowance, if any) paid and benefits in kind granted by our Group to our Directors in respect of the years ended 31 December 2015 and 2016 were approximately S\$591,000 and S\$615,000, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to the Directors) payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 December 2017 are estimated to be approximately S\$724,600.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the two years ended 31 December 2015 and 31 December 2016 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 31 December 2015 and 31 December 2016.

10. Interests and short positions of Directors in the share, underlying Shares or debentures of our Company and its associated corporations

Immediately following completion of the [REDACTED] and the [REDACTED] (but not taking into account of any Shares that may be allotted and issued pursuant to the exercise of any option(s) which may be granted under the Share Option Scheme), the interests or short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations (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 which he is taken or deemed to have under such provisions of the SFO) 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 the Model Code for Securities Transactions by Directors of Listed Issuers contained in the GEM Listing Rules, will be as follows:

<u>Name</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held after the [REDACTED]^{Note 1}</u>	<u>Percentage of shareholding after the [REDACTED]</u>
Ms. Lee	Interest in controlled corporation ^{Note 2}	[REDACTED] Shares (L)	[REDACTED]%
Mr. David Siew	Interest in controlled corporation ^{Note 2}	[REDACTED] Shares (L)	[REDACTED]%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Notes:

- (1) The Letter “L” denotes the person’s long position in the relevant Shares.
- (2) The entire issued share capital of TOMO Ventures is legally and beneficially owned as to [REDACTED]% by Ms. Lee and as to [REDACTED]% by Mr. David Siew. Accordingly, Ms. Lee and Mr. David Siew are deemed to be interested in [REDACTED] Shares held by TOMO Ventures by virtue of the SFO. Ms. Lee and Mr. David Siew are spouses and are therefore deemed to be interested in all the Shares they are respectively interested in (by him/herself or through TOMO Ventures) pursuant to the SFO.

11. Interest disclosable under the SFO and substantial shareholders

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] and taking no account of any Shares which may be taken up under the [REDACTED] or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, based on the information available on the Latest Practicable Date, the following persons/entities will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be 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 our Company or any other members of our Group:

Name	Capacity/Nature of interest	Number of Shares held after the [REDACTED] ^{Note 1}	Percentage of shareholding after the [REDACTED]
Ms. Lee	Interest in controlled corporation ^{Note 2}	[REDACTED] Shares (L)	[REDACTED]%
Mr. David Siew	Interest in controlled corporation ^{Note 2}	[REDACTED] Shares (L)	[REDACTED]%
TOMO Ventures	Beneficial owner	[REDACTED] Shares (L)	[REDACTED]%

Notes:

- (1) The Letter “L” denotes the person’s long position in the relevant Shares.
- (2) The entire issued share capital of TOMO Ventures is legally and beneficially owned as to [REDACTED]% by Ms. Lee and as to [REDACTED]% by Mr. David Siew. Accordingly, Ms. Lee and Mr. David Siew are deemed to be interested in [REDACTED] Shares held by TOMO Ventures by virtue of the SFO. Ms. Lee and Mr. David Siew are spouses and are therefore deemed to be interested in all the Shares they are respectively interested in (by him/herself or through TOMO Ventures) pursuant to the SFO.

12. Related party transactions

During the two years immediately preceding the date of this document, our Group did not engage in any related party transactions save as the key management compensation disclosed in note 29 of the Accountant’s Report set out in Appendix I to this document.

13. Disclaimers

Save as disclosed in this document:

- (a) and taking no account of any Shares which may be taken up or acquired under the [REDACTED] or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the [REDACTED] and the [REDACTED] 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 10% 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 or chief executive of our Company has any interests and short positions 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 which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or 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, in each case once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in the paragraph headed “21. Qualifications and consents of experts” below has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this document, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for [REDACTED]s either in his/her own name or in the name of a nominee;
- (d) none of our Directors nor the experts named in the paragraph headed “21. Qualification and consents of the experts” below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (e) none of the experts named in the paragraph headed “21. Qualifications and consents of experts” below has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group; and
- (f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

14. Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, which was approved by written resolutions passed by the sole Shareholder on [●]. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Who may join and basis of eligibility

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent; and for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before [REDACTED].

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

(e) *Maximum number of Shares*

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from its adoption date (excluding, for this purpose, Shares issuable upon the exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the [REDACTED]. Therefore, it is expected that our Company may grant options in respect of up to [REDACTED] Shares (or such numbers of Shares as shall result from a subdivision or a consolidation of such [REDACTED] Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (iii) Our Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon the 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 must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in the limit being exceeded.

(f) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon the exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme of our Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his/her close associates abstaining from

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted to such grantee must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) *Grant of options to certain connected persons*

- (i) Any grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (ii) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates will result in the total number of Shares issued and to be issued upon the exercise of all options already granted and to be granted to such person under the Share Option Scheme (including options exercised, cancelled and outstanding) and any other share option schemes of our Company to such person in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of the Shares in issue; and
 - (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. The grantee, his/her associate and all core connected persons of our Company shall abstain from voting (except where any of such person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(h) *Restrictions on the times of grant of options*

- (i) No offer for the grant of options may be made after any inside information has come to the knowledge of our Group until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. No option may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of the Board meeting (such date to first be 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, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

- (b) the deadline for our Company to publish an announcement of the 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).
- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association 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 accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(k) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option (where the grantee is a company, any change of its major shareholder or any substantial change in its management as determined by the Board at its sole discretion will be deemed to be a sale or transfer of interest as aforesaid, if so determined by the Board at its sole discretion).

(l) *Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (m) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his/her death or within such period of 12 months following his/her death, then his/her legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(m) *Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group by reason of a termination of his/her employment on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee’s service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

(n) *Rights on cessation of employment for other reasons*

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (m) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(o) *Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised, and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable and in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he/she/it was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(p) *Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(q) *Rights on winding-up*

In the event a notice is given by our Company to the members 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 each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the 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.

(r) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors of our Company to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the “**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

(whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

(s) *Lapse of options*

Subject to paragraph (l) above, an option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the date on which the Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (k);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (l), (n), (p), (q) or (r) above;
- (iv) subject to paragraph (q) above, the date of the commencement of the winding-up of our Company;
- (v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his/her creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his/her integrity or honesty;
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) becoming effective, the date on which such compromise or arrangement becomes effective.

(t) *Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(u) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on its adoption date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(v) *Alteration to the Share Option Scheme*

- (i) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options and the prospective grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

(w) *Termination of the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(x) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the [REDACTED] granting the [REDACTED] of and permission to deal in the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

Present status of the Share Option Scheme

Application has been made to the [REDACTED] for the [REDACTED] of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme.

OTHER INFORMATION

15. Tax and other indemnities

Each of TOMO Ventures, Mr. David Siew and Ms. Lee (the “**Indemnifiers**”) has, pursuant to the Deed of Indemnity on a joint and several basis, given indemnity in favour of our Group from and against, among other things, any tax liabilities which might be paid or payable by any member of our Group (the “**Group Member(s)**”) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received before the [REDACTED], save:

- (a) to the extent that provision has been made for such taxation in the audited combined accounts of our Group as set out in Appendix I to this document;
- (b) to the extent that such taxation claim arises or is incurred as a consequence of any retrospective change in laws or regulations or the interpretation or practice by the Hong Kong Inland Revenue Department or any other tax or government authorities in any part of the world coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect;
- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, our Group Member which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the date on which the Deed of Indemnity becomes effective (the “**Effective Date**”);
- (d) to the extent that such taxation or liability is/are discharged by another person who is not a Group Member and that none of our Company and Group Members is required to reimburse such person in respect of the discharge of such taxation or liability;
- (e) to the extent that such taxation or liability would not have arisen but for any act or omission by any Group Member (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the date hereof or carried out, made or entered into pursuant to a legally binding commitment created before the Effective Date; and
- (f) to the extent of any provision or reserve made for taxation in the audited accounts of our Group as set out in Appendix I to this document which is finally established to be an over-provision or an excessive reserve.

Further, pursuant to the Deed of Indemnity, the Indemnifiers have jointly and severally given indemnity in respect of, among other matters, any liability for Hong Kong estate duty, if any, which might be incurred by any of Group Member by reason of any transfer of property to any of the members of our Group on or before the [REDACTED]. Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, the British Virgin Islands and Singapore, being jurisdictions in which the companies comprising our Group are incorporated.

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

In addition, pursuant to the Deed of Indemnity, the Indemnifiers have agreed and undertaken to jointly and severally indemnify the members of our Group and each of them and at all times keep the same indemnified on demand from and against, save to the extent that full provision has been made as set out in Appendix I to this document, all claims, damages, losses, costs, expenses, fines, actions and proceedings whatsoever and howsoever arising at any time whether present or in the future as a result of or in connection with:

- (a) any alleged or actual violation or non-compliance by any of our Group Members with any laws, regulations or administrative orders or measures in Singapore and Hong Kong on or before the Effective Date;
- (b) any and all expenses, payments, sums, outgoing, fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to, legal and other professional costs), charges, contributions, liabilities, fines, penalties which any Group Members may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) or any other applicable laws, rules and regulations by any Group Members on or before the Effective Date (in the case of our Group Members);
- (c) any irregularities in relation to any corporate documents of any of our Group Members; and
- (d) all direct losses and damages that we may suffer as a result of the breach of non-compliance incidents as disclosed in this document.

16. Litigation

During the Track Record Period and up to the Latest Practicable Date, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

17. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document, including the [REDACTED]s and any Shares which may fall to be allotted and issued pursuant to (a) the [REDACTED]; and (b) the exercise of options which may be granted under the Share Option Scheme.

The Sole Sponsor has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor's fees in connection with the [REDACTED] are approximately HK\$[REDACTED].

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

18. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Fortune Financial Capital Limited as its compliance adviser to provide consultancy services to our Company to ensure compliance with Rule 6A.19 of the GEM Listing Rules for a period commencing on the [REDACTED] and ending on the date on which our Company complies with the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the [REDACTED].

19. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$42,000 and are payable by our Company.

20. Promoters

Our Company has no promoter for the purpose of GEM Listing Rules.

21. Qualifications and consents of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this document are as follows:

<u>Name</u>	<u>Qualification</u>
Fortune Financial Capital Limited	Licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO
PricewaterhouseCoopers	Certified public accountants
Dentons Rodyk & Davidson LLP	Legal advisers to our Company as to Singapore law
Conyers Dill & Pearman	Legal advisers to our Company as to Cayman Islands law
Frost & Sullivan International Limited	Independent Industry Consultant

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions and/or summaries of opinions (as the case may be) and the references to their names and statements included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any members 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.

22. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

23. Taxation of holders of Shares

(a) Hong Kong

(i) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006.

(b) The Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the [REDACTED] can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

24. Miscellaneous

- (a) Save as disclosed in this document, within two years preceding the date of this document:
 - (i) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages (other than under the [REDACTED]) 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 its subsidiaries;
 - (iii) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of its subsidiaries; and
 - (iv) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) Saved as disclosed in this document, no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2016 (being the date to which the latest audited combined financial statements of our Group were made up) up to the Latest Practicable Date;
- (d) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this document;
- (e) None of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any [REDACTED] or submission to deal being or proposed to be sought;
- (f) None of our Directors nor any of the persons whose names are listed in paragraph headed “21. Qualification and consents of experts” in this section has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group;
- (g) Subject to the provisions of the Companies Law, the principal register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Unless the Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands;
- (h) All necessary arrangements have been made to enable the Shares to be admitted into CCASS;

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

- (i) There is no arrangement under which future dividends are waived or agreed to be waived; and
- (j) No company within our Group is presently listed on any stock exchange or traded on any trading system.

25. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

APPENDIX V**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the [REDACTED];
- (b) the written consents referred to in the paragraph headed “Other information — 21. Qualifications and consents of experts” in Appendix IV to this document; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “Further information about the business of our Group — 7. Summary of material contracts” in Appendix IV to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Robertsons, at 57/F, The Center, 99 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountant’s Report of our Group dated [●] from PricewaterhouseCoopers, the text of which is set out in the section headed “Accountant’s Report” in Appendix I to this document;
- (c) the report dated [●] on unaudited pro forma financial information of our Group issued by PricewaterhouseCoopers, the text of which is set out in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this document;
- (d) the audited combined financial statements of our Group for each of the years ended 31 December 2015 and 2016;
- (e) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Companies Law referred to in Appendix III — “Summary of the Constitution of our Company and Cayman Islands Company Law”;
- (f) the Cayman Companies Law;
- (g) the rules of our Share Option Scheme;
- (h) the material contracts referred to in the paragraph headed “Further information about the business of our Group — 7. Summary of material contracts” in Appendix IV to this document;
- (i) the written consents referred to in the paragraph headed “Other information — 21. Qualifications and consents of experts” in Appendix IV to this document;

APPENDIX V

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

- (j) the service contracts and the letters of appointment referred to in the paragraph headed “Further information about directors, management and staff — 9. Particulars of Directors’ service contracts and letters of appointment” in Appendix IV to this document;
- (k) the legal opinion issued by Dentons Rodyk & Davidson LLP, legal advisers to our Company as to Singapore laws; and
- (l) the industry report prepared by Frost & Sullivan International Limited referred to in “Industry Overview” herein.