Optima Automobile Group Holdings Limited
傲迪瑪汽車集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8418)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

*This announcement, for which the directors (the "**Directors**") of Optima Automobile Group Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

ANNUAL RESULTS

The board of Directors (the "**Board**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the financial year ended 31 December 2019 ("**FY2019**") with comparative figures for the financial year ended 31 December 2018 ("**FY2018**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
		2019	2018
	Notes	***SGD'000***	*SGD'000*
Revenue	*6*	**16,634**	17,985
Other income and gains	*7*	**389**	276
Cost of materials used		**(4,626)**	(5,279)
Marketing and advertising expenses		**(155)**	(78)
Employee benefit expenses		**(5,639)**	(4,647)
Depreciation of property, plant and equipment		**(332)**	(1,930)
Impairment of right-of-use assets		**(234)**	–
Depreciation of right-of-use assets		**(3,260)**	–
Impairment of trade receivables		**(351)**	(93)
Finance costs	*9*	**(376)**	(328)
Listing expenses		**(1,963)**	(2,494)
Operating lease payments in respect of leased premises		**–**	(1,596)
Short-term lease expenses		**(134)**	–
Other expenses		**(1,934)**	(1,723)
(Loss)/Profit before income tax expense	*8*	**(1,981)**	93
Income tax expense	*10*	**(176)**	(336)
Loss and total comprehensive income for the year		**(2,157)**	(243)
Loss attributable to:			
Owners of the Company		**(2,157)**	(273)
Non-controlling interests		**–**	30
		(2,157)	(243)
Total comprehensive income attributable to:			
Owners of the Company		**(2,157)**	(273)
Non-controlling interests		**–**	30
		(2,157)	(243)
Losses per share			
– Basic and diluted *(SGD cents)*	*12*	**(0.33)**	(0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2019 SGD'000	2018 SGD'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**404**	10,269
Right-of-use assets		**10,740**	–
Deposits	*13*	**1,148**	263
Total non-current assets		**12,292**	10,532
Current assets			
Inventories		**1,004**	1,014
Trade and other receivables	*13*	**3,595**	5,176
Cash and cash equivalents		**6,343**	3,031
Total current assets		**10,942**	9,221
Current liabilities			
Trade and other payables	*14*	**2,638**	3,906
Lease liabilities		**3,653**	–
Bank borrowings		**169**	164
Finance lease obligations		**–**	2,210
Current tax liabilities		**689**	330
Total current liabilities		**7,149**	6,610
Net current assets		**3,793**	2,611
Total assets less current liabilities		**16,085**	13,143
Non-current liabilities			
Other payables	*14*	**–**	96
Lease liabilities		**3,613**	–
Bank borrowings		**641**	810
Finance lease obligations		**–**	4,697
Deferred tax liabilities		**109**	635
Total non-current liabilities		**4,363**	6,238
Net assets		**11,722**	6,905
EQUITY			
Share capital		**1,497**	17
Reserves		**10,225**	6,888
Total equity		**11,722**	6,905

NOTES TO THE FINANCIAL INFORMATION

For the year ended 31 December 2019

1. GENERAL INFORMATION

Optima Automobile Group Holdings Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 14 March 2018. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The principal place of business is located at 6 Kung Chong Road, Alexandra Industrial Estate, Singapore 159143. On 11 October 2019, the Company's shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company and its subsidiaries are together referred to as the Group hereinafter.

The principal activity of the Company is investment holding. The principal activity of the Group is provision of repair and maintenance of motor vehicles in Singapore. As at 31 December 2019, the immediate holding company of the Company was Red Link International Limited, a limited liability incorporated in the British Virgin Islands. The directors of the Company considered the ultimate holding company to be Red Link International Limited.

2. BASIS OF PRESENTATION AND PREPARATION

(a) Basis of presentation

Pursuant to the reorganisation (the "**Reorganisation**") carried out by the Group as fully explained in the paragraph headed "Reorganisation" in the "History, Reorganisation and Corporate Structure" section to the Company's prospectus dated 27 September 2019 as published on the website of the Stock Exchange to rationalise the structure of the Group, the Company has become the holding company of the subsidiaries now comprising the Group.

The Group is regarded as a continuing entity resulting from the Reorganisation since the insertion of a new holding company at the top of Optima Werkz Pte. Ltd. has not resulted in any change in economic substance and the acquisition of equity interests on Optima De Auto Pte. Ltd. and Optima Werkz International Pte. Ltd. involves business combination under common control.

Upon the completion of the Reorganisation, the Company holds the entire equity interests, directly or indirectly, of companies comprising the Group. The consolidated financial statements of the Group for the year ended 31 December 2019 has been prepared using the carrying amounts of the financial statements of the companies now comprising the Group.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for current and prior years include the results and cash flows of the companies now comprising the Group as if the current group structure, after the completion of the Reorganisation, had been in existence throughout the years, or since their respective dates of incorporation, whichever was shorter. The consolidated statement of financial position of the Group as at 31 December 2019 and 2018 have been prepared to present the state of the affairs of the Group as if the current group structure, after the completion of the Reorganisation, had been in existence as at the respective dates.

All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on consolidation.

(b) Basis of preparation

The consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and related interpretations, issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The consolidated financial statements are presented in Singapore dollars ("**SGD**"). Items included in the financial statements of each entity within the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "**functional currency**"). The functional currency of the Company is SGD. The subsidiaries are operating in Singapore and SGD is used as the presentation currency of the Group.

The consolidated financial statements are prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions.

3. ADOPTION OF HKFRSs

(a) Adoption of new or revised HKFRSs – effective from 1 January 2019

The HKICPA has issued a number of new or revised HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 "Leases" has been summarised below. The other new or revised HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(i) HKFRS 16 – Leases

HKFRS 16 supersedes HKAS 17 "Leases", HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases – Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application on 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("**short-term leases**"), and lease contracts for which the underlying asset is of low value ("**low-value assets**").

The effect of adoption of HKFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	SGD'000
Assets	
Right-of-use assets	13,080
Property, plant and equipment	(9,895)
Total assets	3,185
Liabilities	
Lease liabilities	10,092
Finance lease obligations	(6,907)
Total liabilities	3,185
Total adjustment on equity:	
Retained earnings	–
Non-controlling interests	–
	–

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, plant and equipment. Before the adoption of HKFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under "Prepayments" and "Trade and other payables", respectively.

Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under HKAS 17). The requirements of HKFRS 16 was applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;

- applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;

- excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application;

- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of SGD13,080,000 were recognised and presented separately in the consolidated statement of financial position. This includes the leased assets recognised previously under finance leases of SGD9,895,000 that were reclassified from "Property, plant and equipment".

- Additional lease liabilities of SGD10,092,000 were recognised. This includes the lease liabilities recognised previously under finance leases of SGD6,907,000 that were reclassified from "Finance lease obligations".

- No net effect of these adjustments had been adjusted to retained earnings and non-controlling interests.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

	SGD'000
Operating lease commitments as at 31 December 2018	3,398
Less: commitments relating to short-term leases	(43)
	3,355
Less: total future interest expenses	(170)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019	3,185
Add: finance leases liabilities as at 31 December 2018	6,907
Total lease liabilities as at 1 January 2019	10,092

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of HKFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of leased properties for own use (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12 "Income Taxes", by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

(iii) Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

(iv) Amendments to HKAS 19 – Plan Amendment, Curtailment or Settlement

The amendments clarify that amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

(v) Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

(vi) Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3 "Business Combinations"

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

(vii) Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11 "Joint Arrangements"

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

(viii) Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12 "Income Taxes"

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

(ix) Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23 "Borrowing Costs"

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for annual periods beginning on or after 1 January 2021

[3] The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

(i) Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

(ii) Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

(iii) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

(iv) HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

(v) Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation and subsidiaries

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

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure or rights to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expense in profit or loss during the reporting period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Computer	3 years
Furniture and fittings	3 years
Machine equipment	10 years
Motor vehicles	5 to 10 years
Office equipment	3 years
Leasehold improvements	3 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(c) Leases

Accounting policies applied until 31 December 2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Accounting policies applied from 1 January 2019

With effect of HKFRS 16 on 1 January 2019, the Group applied HKFRS 16 for accounting period beginning on 1 January 2019 with details set out in Note 3(a)(i) under heading "HKFRS 16 – Leases".

(d) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(e) Financial instruments

(i) Financial assets

The Group classifies its financial assets in the following measurement categories: financial assets at fair value (either through other comprehensive income or through profit or loss); and financial assets at amortised cost. The classification is generally based on two criteria: the business model under which the financial asset is managed and the contractual cash flow characteristic of the financial asset. Investments in financial assets are recognised on the date the Group commits to purchase the investments. A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Amortised cost

Subsequent to initial recognition, financial assets that are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("**ECLs**") on the financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs. For trade receivables, the Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which requires the use of the lifetime expected losses provision for all trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

For trade receivables, lease receivables and contract assets, the Group applies a simplified approach to measure the loss allowance at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. For other debt financial assets, the Group measures the loss allowance either based on 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of receivables has occurred since initial recognition, loss allowance is measured based on lifetime ECLs.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

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

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

– significant financial difficulty of the borrower or issuer;

– a breach of contract such as a default or past due event;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred, and are subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

(vii) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 4(m)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 4(e)(ii). Loss allowance for contract assets is measured at an amount equal to lifetime ECLs. ECLs on contract assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the customers and an assessment of both the current and forecast general economic conditions at the reporting date. Contract assets are reclassified to trade receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 4(m)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

(g) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

(h) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. Defined contribution retirement plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(i) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

(j) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and investment in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(k) Government grants

Government grants receivable are recognised as income over the periods necessary to match them with related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

(l) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied (i.e. when control of the goods or services underlying in particular performance obligation is transferred to customers).

Control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(i) Service income from the provision of repair and maintenance of motor vehicles is recognised over time as the Group satisfies its performance obligation.

(ii) Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 4(c)).

(iii) Warranty income under the Group's own warranty programme is recognised as revenue over the warranty period on a straight-line basis. For the warranty programme entered into by a customer with an insurance company of which the Group is the designated service workshop, the warranty income is recognised over time as the Group satisfies its performance obligation.

(iv) Income from automotive supply business is recognised when the control of the goods is transferred to customers, being when the products are accepted by the customers. There was no unfulfilled obligation that could affect the customers' acceptance of the products. Fee income for licensing computer software inbuilt in the automotive equipment is recognised when the control of the goods is transferred to customers.

(n) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(o) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. SEGMENT INFORMATION

The executive directors of the Company, who are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different services and requires different business strategies.

The following summary describes the operations in each of the Group's reportable segments:

– After-market automotive services – inspection, repair services and maintenance

– Car rental services – provision of car rental services

– Automotive supply business – supply of passenger car spare parts, accessories and automotive equipment

Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group's profit or loss before income tax except that unallocated other income and gains, staff costs, finance costs, as well as corporate expenses are excluded from such measurement.

Segment assets included all assets but excluded certain property, plant and equipment and right-of-use assets, as well as corporate assets unrelated to the business activities of any operating segment.

Segment liabilities included all liabilities but excluded current and deferred tax liabilities, certain lease liabilities and corporate liabilities unrelated to the business activities of any operating segment.

As the directors consider the Group's revenue (determined based on the location of customers) and results are all materially derived in Singapore and no material assets of the Group are located outside Singapore, geographical segment information is not considered necessary.

(a) Business segment

For the year ended 31 December 2019

	After-market automotive services *SGD'000*	Car rental services *SGD'000*	Automotive supply business *SGD'000*	Total *SGD'000*
Segment revenue				
Revenue from external customers	12,875	2,555	1,204	16,634
Segment profit/(loss)	6,669	(31)	241	6,879
Other income and gains				389
Unallocated staff costs				(3,478)
Unallocated corporate expenses				(5,595)
Unallocated finance costs				(176)
Loss before income tax expense				(1,981)
Other segment information				
Unallocated depreciation				(1,810)
Unallocated income tax				(176)

For the year ended 31 December 2018

	After-market automotive services *SGD'000*	Car rental services *SGD'000*	Automotive supply business *SGD'000*	Total *SGD'000*
Segment revenue				
Revenue from external customers	14,253	2,454	1,278	17,985
Segment profit	6,908	220	799	7,927
Other income and gains				276
Unallocated staff costs				(2,760)
Unallocated corporate expenses				(5,306)
Unallocated finance costs				(44)
Profit before income tax expense				93
Other segment information				
Unallocated depreciation				(72)
Unallocated income tax				(336)

Revenue from external customers of after-market automotive services segment included service income and warranty income during the years.

As at 31 December 2019

	After-market automotive services ***SGD'000***	**Car rental services** ***SGD'000***	**Automotive supply business** ***SGD'000***	**Total** ***SGD'000***
Segment assets	**3,767**	**8,833**	**–**	**12,600**
Unallocated property, plant and equipment				**62**
Unallocated right-of-use assets				**2,110**
Unallocated corporate assets				**8,462**
Total assets				**23,234**

	After-market automotive services *SGD'000*	Car rental services *SGD'000*	Automotive supply business *SGD'000*	Total *SGD'000*
Segment liabilities	**1,512**	**5,150**	**–**	**6,662**
Current tax liabilities				**689**
Deferred tax liabilities				**109**
Unallocated lease liabilities				**2,194**
Unallocated corporate liabilities				**1,858**
Total liabilities				**11,512**

As at 31 December 2018

	After-market automotive services *SGD'000*	Car rental services *SGD'000*	Automotive supply business *SGD'000*	Total *SGD'000*
Segment assets	4,452	10,481	–	14,933
Unallocated property, plant and equipment				49
Unallocated corporate assets				4,771
Total assets				19,753

	After-market automotive services *SGD'000*	Car rental services *SGD'000*	Automotive supply business *SGD'000*	Total *SGD'000*
Segment liabilities	1,756	6,965	–	8,721
Current tax liabilities				330
Deferred tax liabilities				635
Unallocated corporate liabilities				3,162
Total liabilities				12,848

All assets are allocated to operating segments other than unallocated assets (mainly comprising certain property, plant and equipment and right-of-use assets, other receivables and cash and cash equivalents).

All liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising current and deferred tax liabilities, certain lease liabilities and other payables).

For the year ended 31 December 2019

	After-market automotive services *SGD'000*	**Car rental services** *SGD'000*	**Automotive supply business** *SGD'000*	**Total** *SGD'000*
Other segment information				
Additions to non-current assets	**–**	**632**	**–**	**632**
Depreciation of property, plant and equipment	**(205)**	**(83)**	**–**	**(288)**
Depreciation of right-of-use assets	**(8)**	**(1,486)**	**–**	**(1,494)**
Impairment of right-of-use assets	**–**	**(234)**	**–**	**(234)**
Staff costs	**(2,057)**	**(104)**	**–**	**(2,161)**
Finance costs	**–**	**(200)**	**–**	**(200)**

For the year ended 31 December 2018

	After-market automotive services *SGD'000*	Car rental services *SGD'000*	Automotive supply business *SGD'000*	Total *SGD'000*
Other segment information				
Additions to non-current assets	–	21	–	21
Depreciation of property, plant and equipment	(337)	(1,521)	–	(1,858)
Staff costs	(1,816)	(71)	–	(1,887)
Finance costs	–	(284)	–	(284)

Additions to non-current assets mainly represents additions to property, plant and equipment and right-of-use assets.

(b) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	Car rental services	
	2019 *SGD'000*	2018 *SGD'000*
Customer E	**1,893**	2,025

6. REVENUE

An analysis of revenue from the Group's principal activities, which is also the Group's turnover, is as follows:

	2019	2018
	SGD'000	*SGD'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Service income	**11,525**	12,743
Warranty income	**1,350**	1,510
Automotive supply income	**1,204**	1,278
Revenue from other sources		
Car rental income	**2,555**	2,454
	16,634	17,985

	2019	2018
	SGD'000	*SGD'000*
Disaggregation by timing of revenue recognition		
Over time	**12,875**	14,253
Point in time	**1,204**	1,278
	14,079	15,531

(a) Contract assets

The Group has recognised the following revenue-related contract assets:

	2019	2018
	SGD'000	*SGD'000*
Contract assets arising from:		
After-market automotive services *(Note 13)*	**283**	288

(i) Changes in contract assets

Contract assets of the Group arise from the after-market automotive services that have been partially provided but have not been completed as at the end of the reporting period. The balance as at 31 December 2019 and 2018 mainly represented car repair services partially complete under the Group's after-market automotive service business.

The contract assets were transferred to trade receivables when the rights became unconditional where car repair services were complete. The typical payment terms which impact on the contract assets are the Group normally issue bill to customers for payment upon completion of the relevant services.

(ii) The expected timing of recovery or settlement for contract assets is as follows:

	2019	2018
	SGD'000	*SGD'000*
Within one year	**283**	288

(iii) An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates for the measurement of the ECLs of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. As at 31 December 2019, no provision was made as the ECLs on contract assets were immaterial (2018: nil).

(b) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	2019	2018
	SGD'000	*SGD'000*
Contract liabilities *(Note 14)*	**215**	–

(i) Changes in contract liabilities

Contract liabilities of the Group arise from the advance payments made by customers while the underlying services have not been provided. Balance as at 31 December 2019 mainly represented advance payments received from customers under the Group's after-market automotive service business.

(ii) Unsatisfied performance obligations

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts of after-market automotive service such that did not include information about service income that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts of service income that had an original expected duration of one year or less.

The contract liabilities as at 31 December 2019 did not include any considerations that the Group may earn in the future by meeting conditions set out in the contracts of service income with customers (2018: nil).

(iii) Assets recognised from incremental costs to obtain a contract

During the years ended 31 December 2019 and 2018, there were no significant incremental costs to obtain a contract.

(iv) Movements in contract liabilities

	2019	2018
	SGD'000	*SGD'000*
Balance as at 1 January	**–**	–
Increase in contract liabilities as a result of advance payments made by customers	**317**	–
Decrease in contract liabilities as a result of recognising revenue during the year	**(102)**	–
Balance as at 31 December	**215**	–

7. OTHER INCOME AND GAINS

	2019	2018
	SGD'000	*SGD'000*
Government grants	**71**	106
Reversal of impairment of trade receivables *(Note 13)*	**61**	16
Gain on disposal of property, plant and equipment	**115**	–
Others	**142**	154
	389	276

8. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

	2019	2018
	SGD'000	*SGD'000*
(Loss)/Profit before income tax expense is arrived at after charging/(crediting):		
Auditor's remuneration	**70**	40
Cost of inventories recognised as expenses	**4,626**	5,279
Depreciation of property, plant and equipment		
– Direct depreciation expenses	**288**	1,858
– Indirect depreciation expenses	**44**	72
– Total	**332**	1,930
Depreciation of right-of-use assets		
– Direct depreciation expenses	**1,494**	–
– Indirect depreciation expenses	**1,766**	–
– Total	**3,260**	–
Employee benefit expenses (including directors' emoluments)		
– Salaries, allowances and other benefits	**5,218**	4,307
– Contributions to defined contribution retirement plan	**421**	340
– Total	**5,639**	4,647
– Direct employee benefit expenses	**2,161**	1,887
– Indirect employee benefit expenses	**3,478**	2,760
– Total	**5,639**	4,647
Impairment of right-of-use assets	**234**	–
Impairment of trade receivables *(Note 13)*	**351**	93
Reversal of impairment of trade receivables	**(61)**	(16)
Bad debts written off	**17**	–
(Gain)/Loss on disposal of property, plant and equipment	**(115)**	45
Write off of property, plant and equipment	**–**	2
Operating lease payments in respect of leased premises	**134**	1,596

9. FINANCE COSTS

	2019	2018
	SGD'000	*SGD'000*
Interest element of finance lease payments	**–**	283
Interest element of lease liabilities	**337**	–
Interest on loans from shareholders	**–**	5
Interest on bank borrowings	**39**	40
	376	328

10. INCOME TAX EXPENSE

The amounts of income tax in the consolidated statement of profit or loss and other comprehensive income represent:

	2019	2018
	SGD'000	*SGD'000*
Singapore		
Current tax		
– Current year	**148**	325
– Under/(over) provision in respect of prior years	**554**	(129)
Deferred tax (credit)/expense	**(526)**	140
	176	336

Singapore profits tax is calculated at 17% on the estimated assessable profits arising in Singapore for the year ended 31 December 2019 (2018: 17%).

Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions for the years ended 31 December 2019 and 2018.

The income tax expense can be reconciled to the (loss)/profit before income tax expense in the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	SGD'000	*SGD'000*
(Loss)/Profit before income tax expense	**(1,981)**	93
Tax calculated at the domestic tax rates	**(337)**	16
Tax effect of expenses not deductible for tax purposes	**477**	448
Tax effect of revenue not taxable for tax purposes	**(20)**	(34)
Under/(over) provision in respect of prior years	**28**	(36)
Tax rebates	**(36)**	(53)
Tax effect of unused tax losses not recognised	**48**	–
Others	**16**	(5)
Income tax expense	**176**	336

11. DIVIDENDS

No dividends have been paid or declared by the Company or any of the subsidiaries during the year ended 31 December 2019 (2018: nil).

12. LOSSES PER SHARE

	Year ended 31 December	
	2019	2018
	SGD'000	*SGD'000*
The basic and diluted losses per share for the year are calculated based on the following:		
Loss attributable to owners of the Company for the year	**(2,157)**	(273)
Weighted average number of ordinary shares in issue *(Note)*	**656,164,384**	600,000,000
Basic and diluted losses per share *(SGD cents)*	**(0.33)**	(0.05)

Note:

For the year ended 31 December 2019, the calculation of basic losses per share was based on the loss attributable to the owners of the Company and on the basis of the weighted average number of 656,164,384 ordinary shares in issue.

For the year ended 31 December 2018, the calculation of basic losses per share was based on the loss attributable to the owners of the Company and 10,000,000 ordinary shares in issue and 590,000,000 ordinary shares to be issued pursuant to a capitalisation but before the placing of 250,000,000 new shares upon the subsequent listing of the Company's shares on 11 October 2019.

Diluted losses per share were the same as basic losses per share as there was no potential dilutive ordinary share in existence during the years ended 31 December 2019 and 2018.

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	SGD'000	*SGD'000*
Trade receivables	**2,754**	3,620
Less: impairment loss	**(413)**	(210)
Trade receivables, net	**2,341**	3,410
Contract assets *(Note 6(a))*	**283**	288
Deposits, prepayment and other receivables *(Note)*	**2,119**	1,741
	4,743	5,439
Categorised as:		
Current portion	**3,595**	5,176
Non-current portion	**1,148**	263
	4,743	5,439

Note:

As at 31 December 2019, included in deposits, prepayment and other receivables represented a refundable cash deposit of SGD1,000,000 (2018: nil) for long-term investment. On 7 December 2019, Optima Werkz Pte. Ltd., an indirect wholly-owned subsidiary of the Company, has entered into an acquisition agreement with Regal Werkz Pte. Ltd., an independent third party and a limited liability company incorporated in Singapore, to acquire the entire equity interest of Optima Werkz Myanmar Holdings Pte. Ltd. (limited liability company incorporated in Singapore) which held 35% equity interest in Optima Werkz Myanmar Services Co. Ltd. (limited liability company incorporated in Myanmar), at a total consideration of approximately SGD2,500,000. A refundable cash deposit of SGD1,000,000 was paid in December 2019 upon signing of the agreement. The acquisition was not complete up to the report date and expected to complete no later than 31 December 2020.

The fair values of trade and other receivables are considered by the directors not to be materially different from their carrying amounts. The normal credit period granted to customers was ranged from 30 to 90 days.

The ageing analysis of trade receivables, based on invoice date, as at the end of the reporting period is as follows:

	2019	2018
	SGD'000	*SGD'000*
Within 30 days	**386**	988
31 – 60 days	**366**	594
61 – 90 days	**73**	450
91 – 180 days	**1,197**	540
181 – 365 days	**176**	394
Over 365 days	**143**	444
	2,341	3,410

The ageing analysis of trade receivables, based on due date, as at the end of the reporting period, is as follows:

	2019 *SGD'000*	2018 *SGD'000*
Neither past due nor impaired	**251**	893
Past due but not impaired		
Less than 60 days	**534**	858
61 – 90 days	**94**	335
91 – 180 days	**1,159**	496
181 – 365 days	**164**	384
Over 365 days	**139**	444
	2,090	2,517
	2,341	3,410

Trade receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral in respect of these balances.

Movements in impairment loss recognised in respect of trade receivables are as follows:

	2019 *SGD'000*	2018 *SGD'000*
At beginning of the year	**210**	193
Allowance for impairment *(Note 8)*	**351**	93
Reversal of impairment *(Note 7)*	**(61)**	(16)
Write off against allowance	**(87)**	(60)
At end of the year	**413**	210

Impairment of trade receivables

As at 31 December 2019, total allowance of SGD354,000 (2018: SGD117,000) was recognised as management considered the recoverability of balance was remote. For the remaining trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 and total allowance of SGD59,000 (2018: SGD93,000) was made against the gross amount of trade receivables as at 31 December 2019. Total bad debts of SGD17,000 (2018: nil) was written off directly to profit or loss for the year ended 31 December 2019 (Note 8).

All contract assets and other receivables as at 31 December 2019 and 2018 were neither past due nor impaired.

14. TRADE AND OTHER PAYABLES

	2019	2018
	SGD'000	*SGD'000*
Trade payables *(Note (a))*	**684**	748
Other payables, accruals and deposits received	**1,739**	3,254
Contract liabilities *(Note 6(b))*	**215**	–
	2,638	4,002
Categorised as:		
Current portion	**2,638**	3,906
Non-current portion	**–**	96
	2,638	4,002

(a) The credit period granted by suppliers is normally 30 to 60 days. The ageing analysis of trade payables, based on invoice date, as at the end of the reporting period are as follows:

	2019	2018
	SGD'000	*SGD'000*
Within 30 days	**339**	362
31 – 60 days	**241**	251
61 – 90 days	**90**	121
Over 90 days	**14**	14
	684	748

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The shares of the Company (the "**Shares**") were successfully listed (the "**Listing**") on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 October 2019 by way of public offer and placing (collectively, the "**Share Offer**").

The Group is a one-stop after-market automotive service provider in Singapore offering comprehensive and integrated automotive related solutions to customers. The Group is principally engaged in the provision of a comprehensive range of after-market automotive services, with a focus on inspection, maintenance and repair services and also engaged in (i) offering short-term and long-term car rental services; and (ii) supplying passenger car spare parts, accessories and automotive equipment to customers in Singapore and overseas countries (i.e. Sri Lanka and Myanmar). The Group operates three service centres and one paint workshop in Singapore. Our service centres are equipped with cutting-edge diagnostic equipment and facilities for provision of comprehensive after-market automotive services except spray painting services which shall be handled by our paint workshop.

As disclosed in the prospectus of the Company dated 27 September 2019 that was published on the website of the Stock Exchange (the "**Prospectus**"), in light of the expiry of the tenancy of the Upper Thomson Service Centre and the anticipated increase in market demand, the Group relocated the Upper Thomson Service Centre to a new premise with a larger floor area where the Group set up the Tagore Service Centre in order to accommodate more hoists and parking spaces in late August 2019.

After-market Automotive Services

In Singapore, the automotive industry was affected by both a decrease in the Certificate of Entitlement quota and a slower GDP growth, particularly in the retail sectors. This has impacted the Group's after-market automotive services business for both the insured and non-insured services as insurers tightened the claims on insured services arising from road accidents and warranty claims. Retail customers also had reduced spending on non-essential services.

To ensure a stable supply of customers, the Group has focused their efforts in the second half of the year on developing its fleet servicing program with car dealers and car rental companies in Singapore. The program has ensured customer retention through attractive rates and quality services.

Car Rental Services

The car rental services segment registered a slight increase in revenue as the utilization rate of our fleet improved to 96.4% in FY2019 from 92.9% in FY2018 as the demand for rental cars increase with more consumers meeting their transportation needs provided through ride hailing or car sharing services. The Group has continuously sourced for other car sharing and ride hailing companies in Singapore to expand its car rental services business throughout the year.

Automotive Supply Business

The Group registered an increase in sales of passenger car spare parts and accessories to the customers in Myanmar in FY2019. However, this increase in revenue was offset by decrease in revenue from supply of automotive equipment.

OUTLOOK

Moving forward, with the additional capital raised from the Share Offer, the Group will pursue the following key business strategies: (i) expanding the Group's servicing capacity; (ii) continuing to grow the Group's rental fleet to complement the Group's after-market automotive business; (iii) strengthening the Group's service capabilities and operating efficiencies; and (iv) brand building through strengthening the Group's relationships with its existing customers and expanding the Group's customer base.

However, the coronavirus disease 2019 ("**COVID-19**") outbreak in early 2020 which has caused disruption to businesses and market uncertainties in affected regions may further impose a negative impact on the economy. We anticipate a challenging operating environment ahead as business and consumer sentiments have turned cautious. While revenue from after-market automotive service and car rental services may be affected during periods of economic uncertainty as customers reduce their spending on non-essential services, the Group will continue to reach out to its existing customers through its marketing campaigns.

In addition, in the first quarter of 2020, the Group has terminated the car rental agreements with one of its major long-term car rental customers that was facing financial difficulties towards the end of FY2019 (the "**Termination**"). The Group will source for other car sharing and ride hailing companies in Singapore to cooperate with in place of this customer. However, the COVID-19 outbreak has significantly reduced tourist arrivals and domestic travels, which had adversely affect the car sharing and ride hailing industry in Singapore. The Directors expect that it may require a longer period than usual to source for a suitable partner to rent the cars returned to the Group due to the Termination.

In light of a slowdown and uncertainty in the Singapore economy, the Group will adopt a cautious and prudent approach in the implementation of our expansion plans set out in the Prospectus.

FINANCIAL REVIEW

Revenue

Revenue for the Group was S$16.6 million for FY2019, as compared to S$18.0 million for FY2018, a decrease of approximately S$1.4 million. The decrease was mainly attributable to lower revenue for after-market automotive services as a result of lower insured repair services revenue of approximately S$1.0 million. Further, the Group increase in sales of passenger car spare parts and accessories to the customers in Myanmar in FY2019 was offset by the decrease in supply of automotive equipment.

Cost of materials used

Cost of materials decreased by approximately S$0.7 million or 12.4% from approximately S$5.3 million for FY2018 to approximately S$4.6 million for FY2019. This was mainly due to the more competitive pricing received from the Group's new vendors and the decrease in business volume in the provision of after-market automotive services.

Employee benefits expenses

The Group's employee benefits expense increased by approximately S$1.0 million from approximately S$4.6 million for FY2018 to approximately S$5.6 million for FY2019. This was mainly due to the interim bonus of approximately S$0.2 million paid to the employees for FY2019, accrual of final bonus and related provident fund contributions of approximately S$0.6 million for FY2019. There was no bonus paid for FY2018.

Operating lease payments in respect of leased premises

The Group's decrease in operating lease payments in respect of leased premises of approximately S$1.6 million was due to the adoption of HKFRS 16 "Leases" on 1 January 2019. Additional right-of-use assets of leased properties for own use with a net carrying amount of approximately S$3.2 million were recognised as at 1 January 2019 and were amortised on a straight-line basis and reflected in depreciation of right-of-use assets accordingly.

Income tax expense

The Group provided for income tax expense of S$0.2 million despite a loss before income tax expense due to non-tax deductible items. The Income tax expense provided arise from subsidiaries incorporated in Singapore that are subjected to a tax rate of 17% on the profits arising in Singapore. The decrease in tax expense was in line with the decrease in profits of the Group as compared to FY2018.

Listing expenses

In preparation of the Share Offer, the Group incurred Listing expenses charged to the profit and loss of approximately S$2.0 million for FY2019, while the amount was approximately S$2.5 million for FY2018.

Loss and total comprehensive income for the year

The Group recorded a loss and total comprehensive income for FY2019 of approximately S$2.2 million compared to a loss and total comprehensive income for FY2018 of approximately S$0.3 million. The loss for the year was attributable to the combined effects of the decrease in after-market automotive services as a result of lower revenue from insured repair services, increase in employee-related expenses including the bonuses paid or declared for existing employees, increase in impairment of right-of-use assets and trade receivables and the recognition of non-recurring listing expenses.

LIQUIDITY, FINANCIAL RESOURCES

As at 31 December 2019, the cash and cash equivalents were approximately S$6.3 million (2018: S$3.0 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately S$3.8 million and S$11.7 million, respectively.

As at 31 December 2019, the Group's bank borrowings with maturity within one year amounted to approximately S$0.2 million (2018: S$0.2 million). The Shares were successfully listed on GEM of the Stock Exchange on 11 October 2019 (the "**Listing Date**").There has been no change in the capital structure of the Group since then to the date of this announcement. The capital structure of the Group only comprises ordinary Shares.

The gearing ratio of the Group, which was defined as total debt divided by total equity, were 0.7 as at 31 December 2019 (2018: 1.1). Total debt includes all bank borrowings, finance lease obligations and lease liabilities. The decrease in gearing ratio was mainly due to repayment of bank borrowing, finance lease obligations, lease liabilities and the increase in equity from the Share Offer in year ended 31 December 2019. The net debt to equity of the Group, which was defined as total debt net of cash and cash equivalents divided by total equity, were 0.1 as at 31 December 2019 (2018: 0.7).

The Group's financial position has been further enhanced by the net proceeds of approximately HK$13.2 million obtained from the Listing in October 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations are subject to certain risks and the major ones that may have a material and adverse effect on the Group's business, financial conditions and results of operations are as follow. In addition, the Group's activities are exposed to a variety of financial risks including, currency risk, credit risk, liquidity risk and interest rate risk.

Principal Risks Identified	Description of the Principal Risks Identified	Mitigation of Risks
The Group's revenue is mainly derived from Singapore and the Group's sales performance is susceptible to changes in Singapore as well as the Singapore policies, its financial, social and economic environment.	The Group's local sales performance is susceptible to the following: The Group is subjected to the Singapore Government policies. In Singapore, the Government recently established a regulation to limit and tighten the Certificate of Entitlement quota by only replacing the number of de-registered vehicles on the road at most. Hence, with lesser number of vehicles on the road, the demand of our after-market automotive services may be materially and adversely affected. Moreover, the Group is reliant on a constant supply of experienced and skilled staff, such as service advisors and technicians. Of which, a large number of them are not Singapore citizens. Hence, if there are any unfavourable changes towards Singapore's manpower policies, the supply or labour cost of such foreign workers may be affected, and thus affecting our business operations and profitability.	The Group has diversified its business into several service lines. For example, the loss in demand on after-market automotive services may gain from other service lines, such as car rental service and automotive supply service. In addition, the Group has and will continue to diversify its business outside of Singapore in order to minimize its reliance on the Singapore market.

Principal Risks Identified	Description of the Principal Risks Identified	Mitigation of Risks
	In addition, social issues like the outbreak of the COVID-19 and the corresponding social measures put forth by the Singapore government, may lead to a decrease in the number of road users and hence a decrease in the demand for our rental or aftermarket services. In summary, any changes or developments in the economic, financial or social conditions in Singapore, which are outside our control, may affect the demand for our services and if there are any material adverse changes, our business and profitability may be materially and adversely affected.	
Competition from other service centers, including those operated by car dealers and from other car rental companies could adversely affect the Group's operating results and financial performance if they decide to expand their service centres or lower the prices charged for the services.	As the Singapore's passenger car inspection, maintenance and repair services industry is highly fragmented, the Group faces competition, in various aspects, such as number of service centres, convenience of the location of service centres, pricing, range of services and service quality, from other service centres, including those operated by car dealers. Similarly, competition among car rental companies is primarily based on, among other things, fleet size, brand recognition, price, variety and condition of the vehicles, variety of service offerings and quality of customer service. Hence, if other service centres or car rental companies expand their businesses or lower their prices, we may not be competitive against these competitors and may suffer from a decline in the demand for our services and our operating results and business performance may be materially and adversely affected.	The Group will continue to strengthen our services and product offerings while keeping abreast of potential competitor's pricing and strategies. We believe that if we continue to deliver value added and high quality customer services, we will be able to ensure higher customer retention in the long run.

Principal Risks Identified	Description of the Principal Risks Identified	Mitigation of Risks
The Group placed reliance on its cooperation with a sole Insurer to provide after-market automotive services to customers who participate in the Insurer's motor warranty programme.	Any decrease or loss of business from the sole insurer or any adverse change (such as termination/replacement) in the Group's business relationship with the sole insurer could adversely and substantially affect the Group's operations, financial performance and expansion plans.	The Group has entered into an Exclusive Service Agreement with the sole insurer to act as its exclusive service provider for an exclusive period of six years commencing on 1 January 2017 to ensure long term business viability. Three months before the expiry of the term, both parties will hold discussion for the service agreement renewal. In addition, the exclusivity period may be extended by mutual consent at any time. Hence, the Group will facilitate the renewal or locate other insurer upon the expiry of the agreement.
Over-reliance on suppliers in supplying the car spare parts and accessories.	The Group does not manufacture any spare parts and accessories which we use and distribute. We purchase all spare parts and accessories from our suppliers. As such, if our suppliers significantly increase the prices of the products we require or terminate any rebate arrangement with us, we may not be able to find comparable alternative suppliers in a timely manner with similar price point. Moreover, shortages or delays in the supply of passenger car spare parts, accessories and consumables to the extent that we cannot procure them on acceptable terms from other sources in time will adversely affect our sales, profitability and customer relations. In addition, if there is any defect in such products, this may damage our reputation or the reputation of a particular supplier, and/or cause a disruption in supply. All of which may adversely affect our business and operations.	The Group engages with multiple suppliers to ensure that if one supplier channel is down, we will have other suppliers to purchase similar parts from. In addition, the Group engages in reviewing our suppliers at least once a year based on their price competitiveness, quality assurance, responsiveness and credibility.

EXPOSURE TO CURRENCY RISK

The Group's income and expenditure during the year ended 31 December 2019 were principally denominated in Singapore dollar, and most of the assets and liabilities as at 31 December 2019 were denominated in Singapore dollar. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the year ended 31 December 2019.

EXPOSURE TO CREDIT RISK

The Group's credit risk is primarily attributable to its trade and other receivables and bank balances.

The Group has a credit policy in place and the exposure to these credit risks is monitored on an ongoing basis. To minimise the credit risk, the Group has delegated teams responsible for determination of credit limits, credit approvals and monitoring procedures on credit quality of trade receivables and credit history of debtors. The Group may grant credit terms to its customers subject to detailed assessment of their background and payment history.

In addition, before accepting any customer requests for credit terms, our operation team will assess the potential customers' credit quality and define credit limits for them. Credit limits attributable to customers and credit terms granted to customers are reviewed regularly by our chief operating officer on an ongoing basis. Our operation team will evaluate customers' validity through ACRA Portal for customer's company details, including length of incorporation, activity status and bankruptcy record, paid-up share capital amount and annual filing records. The credit period granted to our customers was between 30 days to 90 days during the year ended 31 December 2019. We maintain strict control over our outstanding receivables to minimise credit risk. The Group typically does not require any collateral as security.

The Group applies the simplified approach to providing for expected credit losses ("**ECLs**") prescribed by HKFRS 9, which permits the use of lifetime expected credit losses provision for all trade receivables. To measure the ECLs, trade receivables are grouped based on shared credit risk characteristics and the days past due. Expected loss rate of current trade receivables is assessed to be 0.1% (2018: 0.1%). The ECLs for trade receivables past due within 90 days is assessed to be 1% (2018: 1%) and within 180 days is assessed to be 2% (2018: 2%). For the trade receivables over 180 days and within 365 days, the ECLs is assessed to be 6% (2018: 5%) and over 365 days is assessed to be 12% (2018: 10%). The directors of the Company assessed and measured ECLs based on reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions as at 31 December 2019 and 2018. The directors assessed the risk or probability that a credit loss will occur by grouping different debtors of similar risk characteristics and taking into consideration the history of default that the amount of irrecoverable debts remained minimal and did not fluctuate significantly as at 31 December 2019 and 2018. Moreover, the Group's operations are solely conducted in Singapore and there has not been any significant adverse events which affected the economy of Singapore during the years ended 31 December 2019 and 2018 and it is expected that the future economic conditions of Singapore will continue to remain steady. The movement of loss allowance for these balances as at 31 December 2019 and 2018 is set out in Note 13.

EXPOSURE TO LIQUIDITY RISK

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

EXPOSURE TO INTEREST RATE RISK

The Group's exposure to interest rate risk arises from bank borrowings, finance lease obligations and lease liabilities. These deposits and the borrowing bear interests at variable rates varied with the then prevailing market condition. Except as stated above, the Group has no other interest bearing assets and liabilities as at 31 December 2019, its income and operating cash flows are substantially independent of changes in variable interest rates.

SHARE CAPITAL

As at 31 December 2019, the Company's issued share capital was HK$8,500,000 and the number of its issued ordinary Shares was 850,000,000.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had capital commitments of SGD1,500,000 (2018: nil) contracted but not provided for the long-term investment.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group does not have other plans for material investments and capital assets.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year, the Group did not have any significant investment, material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to any third parties.

CHARGE ON GROUP'S ASSETS

As at 31 December 2019, the Group's bank borrowings were secured by personal guarantee of an executive director of the Company and a second legal mortgage over a property of a shareholder; lease liabilities of motor vehicles were secured by personal guarantee of an executive director of the Company and the underlying assets. The Group had initiated the process to replace the personal guarantee and mortgage with a corporate guarantee provided by the Company. However, there had been a delay due to the control measures implemented in response to the pandemic of COVID-19. The Group expects this issuance of corporate guarantee to be completed by the second quarter of 2020.

HUMAN RESOURCES

As at 31 December 2019, the Group had 108 employees (2018: 106 employees) with total staff cost of approximately S$5.6 million incurred for the year ended 31 December 2019 (2018: S$4.6 million). As required by the applicable laws and regulations, the Group participates in the Central Provident Fund prescribed by the Central Provident Fund Act (Chapter 36 of the laws of Singapore) and have made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, we have not participated in any other pension scheme(s). The Group's remuneration policy rewards employees and Directors based on individual performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group's performance. We did not experience any material labour disputes during the year ended 31 December 2019.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date up to 31 December 2019:

Business Objectives up to 31 December 2019 as set out in the Prospectus	Actual implementation plan up to 31 December 2019
Expanding servicing capacity	The Directors have carefully evaluated the market and delayed the expansion plan. In addition, the Directors are evaluating new potential sites for the new service center.

Business Objectives up to 31 December 2019 as set out in the Prospectus	Actual implementation plan up to 31 December 2019
Strengthening service capabilities and operating efficiencies	Due to the delay in setting up of the new service center, the planned recruitment of employees for the new service centre has been postponed to year 2020. The Group will continue to retain sufficient experienced employees and identify talented candidate to improve the value of the Group's human resources. In addition, the Group has postponed its plans related to its bulk purchasing strategy and upgrading of information technology and equipment.
Brand building through strengthening relationships with existing customers and expanding customer base	The Group has continued to expand the fleet servicing programme. During the period under review, the Group also launched a few sales and marketing promotions. Due to the delay in setting up of the new service centre, the planned marketing and promotion activities for the launch of our new service centre has been postponed to year 2020.

Principal risks and uncertainties in achieving our business strategies

During the year ended 31 December 2019, the Group faced certain risks and uncertainties in achieving our business strategies in accordance with the use of proceeds plan as set out in the Prospectus as follows:

(1) The Group may fail to expand its customer base or find suitable locations to achieve our expansion plans;

(2) When achieving our business plans, timing is of the essence. The Group may fail to grasp the business trend to determine the optimal time to hit the market; and

(3) In an increasingly volatile and complex business environment, the Group may face change of consumer behavior and high competition when we launch our business plan.

In order to alleviate the above risks and uncertainties in achieving our business strategies, we will ensure that our business plans are as resilient as possible to meet these challenges based on the then market conditions. We will carefully look at the business trends as well to determine if there is a strong entrepreneurial environment for us to lean on.

The Company intends to utilise the net proceeds according to the section headed "Future Plans and Use of Proceeds" in the Prospectus and based on the actual development of the Group's business and the industry. All the unutilised balances have been placed as deposits with licensed banks in Singapore and Hong Kong.

The Directors regularly evaluate the Group's business objective and may change or modify plans against the changing market conditions to ascertain the business growth of the Group. Accordingly, we will make further announcement as and when necessary if there is any such change or modification of plans.

USE OF PROCEEDS FROM THE LISTING

The Shares were listed on GEM on 11 October 2019 by way of public offer and the placing. The actual net proceeds from the Share Offer, after deducting commissions and expenses borne by the Company in connection with the Share Offer, were approximately HK$13.2 million (the "**Actual Net Proceeds**"), which were lower than the estimated figure as stated in the Prospectus and the Group's Third Quarter results announcement for the nine months ended 30 September 2019 on 8 November 2019 due to additional professional fees incurred in respect of the Share Offer. Thus, the Company intends to apply the Actual Net Proceeds in accordance with the proposed implementation plan as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus but with monetary adjustments to each implementation plans on a pro-rata basis. The table below sets out the adjusted allocation and the actual usage of the Actual Net Proceeds up to 31 December 2019.

	Adjusted allocation of the Actual Net Proceeds	**Adjusted planned use of proceeds from the Listing Date up to 31 December 2019**	**Actual usage of the Actual Net Proceeds**	**Unused balance of the Actual Net Proceeds**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Expanding servicing capacity	5.5	4.1	–	5.5
Grow rental fleet	3.9	–	–	3.9
Strengthen service capabilities and operating efficiencies	2.3	1.7	–	2.3
Brand Building	0.2	0.2	–	0.2
Working capital and general corporate purpose	1.3	0.4	–	1.3
	13.2	6.4	–	13.2

The delay in utilisation of the net proceeds was mainly due to the delay in the Group's plan of expansion of its servicing capacity as a result of recent market climate. The Group will continue to apply the net proceeds according to the disclosure in the Prospectus. As at 31 December 2019, the unutilised portion of the proceeds of approximately HK$13.2 million was placed with licensed banks in Singapore and Hong Kong.

OTHER INFORMATION

COMPETING INTERESTS

During the year ended 31 December 2019, none of the Directors or the controlling shareholders of the Company or their close associates (as defined in the GEM Listing Rules) was interested in any business which competes or may compete, either directly or indirectly, with the Group's business nor did they have any other conflicts of interest with the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by Directors on terms as required by Rules 5.48 to 5.67 of the GEM Listing Rules ("**Required Standard of Dealings**"). The Company had made specific enquiries with written guidelines in relation to the Required Standard of Dealings to all Directors, all Directors have confirmed that they complied with the required standards set out in the Required Standard of Dealings for the period from the Listing Date up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Company's corporate governance practices are based on code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 of the GEM Listing Rules. As the Shares were listed on the GEM of the Stock Exchange on 11 October 2019, other than the deviation from code provision A.2.1 and C.2.5 as stated below, the Company has since then adopted and complied with, where applicable, the CG Code to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Ang is currently performing these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enabling more effective and efficient overall strategic planning of the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Under Code Provision C.2.5 of the CG Code, the Group should have an internal audit function. The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, instead of setting up an internal audit department, the annual review on the risk management and internal control systems of the Group has been conducted by a professional third party and reported to the members of the Audit Committee. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board is of the view that appropriate measures have been put in place to manage the risks and no major issue was raised for improvement during the review.

Save as disclosed above, the Directors consider that throughout the period from the Listing Date to the date of this announcement, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.

INTEREST OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Orient Capital (Hong Kong) Limited ("**Orient Capital**") as our compliance adviser. Save for the compliance adviser service agreement entered into between the Company and Orient Capital dated 28 June 2018, none of Orient Capital or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 31 December 2019, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review the Company's financial information and oversee the Company's financial reporting system, risk management and internal control procedures. The full terms of reference setting out details of duties of the Audit Committee are in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company.

The Audit Committee comprises of three independent non-executive Directors, namely Mr. Tang Chi Chiu, Mr. Chu Kin Ming and Ms. Liang Weizhang. The chairman is Mr. Tang Chi Chiu, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The annual results of the Company for the year ended 31 December 2019 have been audited. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019 and is of the opinion that the preparation of such statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on Monday, 11 May 2020. For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 5 May 2020 to Monday, 11 May 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2020 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 May 2020.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 18 September 2019 (the "**Share Option Scheme**"). The principal terms of the Share Option Scheme were summarised in the paragraph headed "Statutory and General Information – 4. Share Option Scheme" in Appendix IV to the Prospectus. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

No share option has been granted since the adoption of the Share Option Scheme and there is no share option outstanding as at 31 December 2019.

CHANGE OF DIRECTORS

Appointment and Resignation of Directors

Ms. Tan Peck Luan (Chen Biluan) has resigned as an executive Director with effect from 28 February 2020 in order to devote more time to her personal affairs and other business commitments. Subsequent to her resignation, Ms. Tan has ceased to be the authorised representative and the compliance officer of the Company.

Mr. Goh Duo Tzer (Wu Duoze) has been appointed as an executive Director with effect from 28 February 2020, the authorised representative and the compliance officer of the Company.

EVENT AFTER REPORTING PERIOD

The forthcoming financial year is expected to be challenging due to the uncertainty in our markets as a result of the COVID-19 outbreak. These factors will adversely impact our revenue from after-market automotive services and car rental services for at least the first half of the year 2020. The Directors will monitor the developments of COVID-19 epidemic closely, assess and react actively to its impacts on the financial position and operating results of the Group.

Save as mentioned above, the Directors are not aware of any significant event which had material effect on the Group subsequent to 31 December 2019 and up to the date of this announcement.

By Order of the Board
Optima Automobile Group Holdings Limited
Ang Lay Keong (Hong Liqiang)
Chairman and Executive Director

Hong Kong, 25 March 2020

As at the date of this announcement, the executive Directors are Mr. Ang Lay Keong (Hong Liqiang), Ms. Lim Li Ling (Lin Liling) and Mr. Goh Duo Tzer (Wu Duoze), the independent non-executive Directors are Mr. Chu Kin Ming, Mr. Tang Chi Chiu and Ms. Liang Weizhang.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.ow.sg.