冠轈控股有限公司

GUAN CHAO HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1872

SHARE OFFER



SOLE SPONSOR

天泰金融 TITAN

TITAN FINANCIAL SERVICES LIMITED

JOINT BOOKRUNNERS
AND JOINT LEAD MANAGERS

天泰金融 TITAN

TITAN FINANCIAL SERVICES LIMITED

GREAT ROC
CAPITAL SECURITIES LIMITED
鴻鵬資本證券有限公司

GREAT ROC CAPITAL SECURITIES LIMITED

IMPORTANT

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

Guan Chao Holdings Limited
冠轈控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	**:**	**225,000,000 Shares comprising 205,000,000 New Shares and 20,000,000 Sale Shares**
Number of Public Offer Shares	**:**	**22,500,000 Shares (subject to reallocation)**
Number of Placing Shares	**:**	**202,500,000 Shares comprising 182,500,000 New Shares and 20,000,000 Sale Shares (subject to reallocation)**
Offer Price	**:**	**Not more than HK$0.47 per Offer Share and expected to be not less than HK$0.43 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)**
Nominal Value	**:**	**HK$0.01 per Share**
Stock Code	**:**	**1872**

Sole Sponsor

Titan Financial Services Limited

Joint Bookrunners and Joint Lead Managers

Titan Financial Services Limited | **Great Roc Capital Securities Limited**

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

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

The Offer Price is expected to be determined by agreement between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Tuesday, 19 February 2019 (Hong Kong time) or such later date as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Offer Price will be not more than HK$0.47 per Offer Share and is expected to be not less than HK$0.43 per Offer Share unless otherwise announced. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our consent (for ourselves and on behalf of the Selling Shareholder), reduce the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. If this occurs, notice of reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange's website at ***www.hkexnews.hk*** and our website at ***www.guanchaoholdingsltd.com***.

If, for any reason, our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the other Underwriters) are unable to agree on the Offer Price on or before Tuesday, 19 February 2019 (Hong Kong time) or such later date may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the other Underwriters), the Share Offer will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States of America and may not be offered, sold, pledged, or transferred within the United States of America, except pursuant to an exemption form, or in a traction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law.

Prior to making any investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. Prospective investors of the Share Offer should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting — Public Offer Underwriting Arrangements — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) terminate the Public Offer Underwriting Agreement, the Share Offer will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus. It is important that prospective investors refer to that section for further details.

13 February 2019

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be posted on the website of our Company at ***www.guanchaoholdingsltd.com*** and the website of the Stock Exchange at ***www.hkexnews.hk***.

Application lists of the Public Offer open *(Note 3)* . . . . 11:45 a.m. on Monday, 18 February 2019

Latest time for lodging **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC *(Note 3)* . . . . . 12:00 noon on Monday, 18 February 2019

Application lists of the Public Offer close *(Note 2)* . . . 12:00 noon on Monday, 18 February 2019

Expected Price Determination Date *(Note 4)* . . . . . Tuesday, 19 February 2019

Announcement of (i) the final Offer Price; (ii) the level of indication of interest in the Placing; (iii) the level of applications in the Public Offer; (iv) the basis of allotment of the Public Offer Shares under the Public Offer; and (v) the number of Offer Shares reallocated, if any, between the Public Offer and the Placing to be published on the website of our Company at ***www.guanchaoholdingsltd.com*** and the website of the Stock Exchange at ***www.hkexnews.hk*** on or before . . . . . Wednesday, 27 February 2019

Results of allocation in the Public Offer will be available at ***www.tricor.com.hk/ipo/result*** with a "search by ID Number/Business Registration Number" function from . . . . . Wednesday, 27 February 2019

Announcement of results of allotment of the Public Offer (with successful applicants' identification document numbers, where applicable) available through a variety of channels as described in the paragraph headed "How to Apply for Public Offer Shares — 10. Publication of Results" in this prospectus from	Wednesday, 27 February 2019
Despatch/collection of share certificates and refund cheques on or before *(Note 5)*	Wednesday, 27 February 2019
Dealings in the Shares on the Stock Exchange to commence at	9:00 a.m. on Thursday, 28 February 2019

Note:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 18 February 2019, the application lists will not open or close on that day. Further information is set forth in the paragraph headed "How to Apply for Public Offer Shares — 9. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

3. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for Public Offer Shares — 5. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this prospectus.

4. Please note that the Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Tuesday, 19 February 2019. If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) before 5:00 p.m. on Tuesday, 19 February 2019, the Share Offer will not proceed and will lapse. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK$0.47 per Offer Share, applicants must pay the maximum Offer Price of HK$0.47 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed "How to Apply for Public Offer Shares" in this prospectus.

5. Share certificates for the Offer Shares are expected to be issued on Wednesday, 27 February 2019 and will only become valid certificates of title at 8:00 a.m. on Thursday, 28 February 2019 provided that (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated. If the Public Offer does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.

6. Applicants who apply on **WHITE Application Forms** for 1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms, they may collect their refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 27 February 2019. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar.

   Applicants who apply on **YELLOW Application Forms** for 1,000,000 Shares or more Public Offer Shares under the Public Offer and have provided all information required by Application Forms, they may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW Application Forms** is the same as that for **WHITE Application Form** applicants.

   Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the paragraph headed "13. Despatch/collection of Share Certificates and Refund Monies" under the section headed "How to Apply for Public Offer Shares" in this prospectus.

Investors who trade our Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

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

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This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.

BUSINESS OVERVIEW

We are a Singapore-based motor vehicle group selling new parallel-import motor vehicles and pre-owned motor vehicles, with the main business being the sales of brand new parallel-import motor vehicles during the Track Record Period. Apart from the sales of motor vehicles, we also provide related services and products, such as (i) provision of motor vehicle financing services; (ii) provision of motor vehicle insurance agency services; and (iii) sales of motor vehicle spare parts and accessories. In addition, as part of our core business, we also provide motor vehicle leasing services. According to the CIC Report, we ranked 12th by sales volume of new motor vehicle units among all motor vehicle dealers in Singapore and ranked first by sales volume of new motor vehicle units among parallel-import motor vehicle dealers in Singapore in both 2016 and 2017.

Our business model

With respect to our business of sales of new parallel-import motor vehicles, we focus on retail sales to individual and corporate customers, to whom we offer a selection of new parallel-import motor vehicles, from a wide range of motor vehicle brands. Apart from individual and corporate customers, our customers also include motor vehicle dealers who may purchase motor vehicles from us with a view to on-sell to their own customers. For our business of selling pre-owned motor vehicles, this is mainly the sales of motor vehicles traded in by our customers, and currently such sales are made mainly to motor vehicle dealers who engage in the retail sales of pre-owned motor vehicles. Among our motor vehicle sales, we mostly sell private vehicles, while we also sell commercial vehicles from time to time. In addition, our sales are mostly local sales and occasionally we also conduct export sales to certain overseas customers. We source our motor vehicles from both local and overseas motor vehicle dealers.

We set out below our revenue breakdown generated from our sales of new and pre-owned motor vehicles during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
New motor vehicles	119,559	86.7	170,214	86.4	148,566	84.3
Pre-owned motor vehicles	18,357	13.3	26,775	13.6	27,628	15.7
Total motor vehicle sales	137,916	100.0	196,989	100.0	176,194	100.0

Our sales of motor vehicles includes (i) direct sales of motor vehicles without any financing arrangement or with financing arrangements not provided by our Group, i.e. hire purchase options provided by other financial institutions; and (ii) sales of motor vehicles under our finance lease arrangements. For details in relation to the provision of motor vehicle financing services by our Group, please refer to the paragraph headed "Business — Motor Vehicle Financing and Insurance Agency Services" in this prospectus. Set out below is the breakdown of sales of motor vehicles by (i) direct sales of motor vehicles; and (ii) sales of motor vehicles under our finance lease arrangements for the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Direct sales of motor vehicles	129,934	94.2	192,840	97.9	169,795	96.4
Sales of motor vehicles under our finance lease arrangements	7,982	5.8	4,149	2.1	6,399	3.6
Total motor vehicle sales	137,916	100.0	196,989	100.0	176,194	100.0

With respect to our motor vehicle financing services, we mainly offer our customers through two business models, namely: (i) by assisting our customers to obtain financing from financial institutions which include banks, in return for a commission income from them; and (ii) by providing our direct in-house motor vehicle financing to our customers through hire purchase agreements or finance lease agreements. During the Track Record Period, our Group experienced two, eight and three cases on payment defaults in relation to our provision of direct motor vehicle financing services in FY2016, FY2017 and FY2018, respectively. The total outstanding balances of these cases were approximately S$184,000, S$803,000 and S$242,000 for FY2016, FY2017 and FY2018, respectively, and the default rate of these cases were of approximately 0.7%, 2.8% and 0.9%, respectively for the corresponding years. We also complement our motor vehicle sales business through the provision of insurance agency services by assisting the customers to procure the appropriate insurance policies and providers based on their motor insurance needs in return for a commission income from the insurance institutions.

With respect to our sales of motor vehicle spare parts and accessories segment, we are an exclusive authorised distributor of the BRABUS Products in Singapore under the BRABUS Distributor Agreement since 2017. The spare parts and accessories of which are specifically used for vehicles belonging to a premium German car brand.

With respect to our business of motor vehicle leasing, we provide motor vehicle leasing services of various durations, usually ranging from within one year to seven years to both individual and corporate customers.

Our revenue

During the Track Record Period, our revenue amounted to approximately S$144.4 million, S$204.9 million and S$185.0 million for FY2016, FY2017 and FY2018, respectively.

The table below sets forth our Group's revenue breakdown during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Revenue						
Sales of motor vehicles	137,916	95.5	196,989	96.1	176,194	95.2
Provision of motor vehicles financing services:						
(i) Finance commission income	2,708	1.9	3,987	1.9	3,812	2.1
(ii) Interest income from finance lease arrangements *(Note)*	1,918	1.3	2,017	1.0	2,077	1.1
Rental income from lease of motor vehicles under operating lease	1,314	0.9	1,474	0.7	2,370	1.3
Insurance commission income	434	0.3	370	0.3	418	0.2
Sales of spare parts and accessories	85	0.1	61	Negligible	122	0.1
Total	144,375	100.0	204,898	100.0	184,993	100.0

Note: Represents interest income generated from direct motor vehicle financing services through entering into either hire purchase agreements or finance lease agreements.

For FY2016, FY2017 and FY2018, the largest revenue was sourced from our sales of motor vehicles business, being approximately S$137.9 million, S$197.0 million and S$176.2 million respectively, representing approximately 95.5%, 96.1% and 95.2% of the total revenue for the respective years.

Our pricing policy

The prices of our motor vehicles are generally determined on a cost-plus basis under which a profit margin is added to the cost. In respect of our new motor vehicle sales, we review our price lists regularly, following the results of COE bidding exercises, and adjust the retail prices and profit margins of our motor vehicles largely in accordance with the extent of fluctuations in COE prices. Apart from COE prices, movements in foreign exchange rates may also affect the selling prices of our motor vehicles. In respect of the pre-owned motor vehicles, we will consider various factors including the OMV cost, the PARF, the original COE premium, the conditions and prevailing market rate of the make and model of the relevant vehicle to determine the appropriate selling price of the pre-owned motor vehicle.

As for our motor vehicle hire purchase business, we derive our revenue primarily from the interest charges under the hire purchase agreements with our customers. The interest rates are determined by us and may vary depending on factors which include general market conditions, the interest rates offered by our competitors and the interest rates set out in the block discounting facility taken out by our Group.

The following table sets forth our average balance of finance lease obligations, average yield, average interest expense and net interest spread of provision of direct motor vehicle financing business for the Track Record Period.

	Note	**FY2016**	**FY2017**	**FY2018**
Average balance of finance lease obligations and block discounting *(S$'000)*	1	29,396	31,365	32,552
Average yield	2	6.97%	7.09%	7.64%
Average interest expense	3	3.45%	3.55%	3.68%
Net interest spread of financing	4	3.52%	3.54%	3.96%

Notes:

(1) Represented the average balance of beginning and ending finance lease obligation and block discounting for the years.

(2) Calculated by dividing interest income by average balance of finance lease receivable.

(3) Calculated by dividing interest expense on finance leases by average balance of finance lease obligations and block discounting.

(4) Calculated as the difference between average yield and average interest expense on finance lease obligations and block discounting.

As for our motor vehicle leasing business, the rental of our leased motor vehicle is determined by applying a rate of depreciation (based on the duration of the lease term) to the cost of the motor vehicle and including a buffer for outgoings borne by us in relation to the motor vehicle such as road tax and other regulatory charges, insurance expenses and maintenance costs.

CUSTOMERS

Given the nature and focus of our sales business, our motor vehicle sales customers are typically individual or corporate clients who are the end customers, though we also have customers who are motor vehicle dealers who may purchase motor vehicles from us to on-sell to their customers. Our sales customers are based either locally or overseas, and our sales are mostly local sales and occasionally we also conduct export sales to certain overseas customers.

We set out below the breakdown of revenue generated through sales of motor vehicle business by the type of customers during the Track Record Period.

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Individual and corporate customers	109,299	79.3	155,645	79.0	115,204	65.4
Motor vehicle dealers	28,617	20.7	41,344	21.0	60,990	34.6
Total motor vehicle sales	137,916	100.0	196,989	100.0	176,194	100.0

Our motor vehicle leasing customers comprise both individuals and corporates. Our corporate customers include those who may have needs for their business operations or for their employees. We also lease motor vehicles to individuals who use the motor vehicles to provide ride-sourcing services through private-hire car booking service operators.

During the Track Record Period, the revenue attributable to our five largest customers accounted for less than 30% of our total revenue in each of the respective years. Our Directors confirmed that there is no single customer material to our business operation. For further details, please refer to the paragraph headed "Business — Customers" in this prospectus.

PROCUREMENT, PURCHASES AND SUPPLIERS

We procure motor vehicles from local and overseas suppliers who are mainly wholesalers who generally source directly from the motor vehicle manufacturers in Japan and Europe. Our suppliers also include individual and/or corporate customers who trade-in their used cars with us at the same time as they purchase new motor vehicles from us.

During the Track Record Period, our Group's five largest suppliers contributed approximately 80.4%, 71.9% and 89.5% to our Group's total purchase cost of motor vehicles, while the largest supplier accounted for approximately 64.1%, 60.7% and 71.4% of our Group's total purchase cost of motor vehicles, for FY2016, FY2017 and FY2018, respectively. For further details, please refer to the paragraph headed "Business — Procurement, Purchases and Suppliers" in this prospectus.

OVERLAPPING CUSTOMERS-SUPPLIERS

During the Track Record Period, there have been occasions where our suppliers have also purchased motor vehicles from us, making them our customers as well. Likewise, there have also been occasions where our motor vehicles sales customers have also sold motor vehicles to us, making them also our suppliers. Such occasions would generally include the following scenarios: (i) trade-ins of motor vehicles; and (ii) non trade-in transactions where, our Directors believe that, other fellow motor vehicle dealers purchase motor vehicles from us to meet the demand of their customers when they run out of inventory for a particular model or colour of motor vehicle (and we have also on occasion purchased motor vehicles from other fellow motor vehicle dealers for the same reason) which our Directors consider is an industry norm. For further details, please refer to the paragraph headed "Business — Overlapping Customers-Suppliers" in this prospectus.

COMPETITIVE LANDSCAPE

As our Group's main business is sales of new parallel-import motor vehicles in Singapore, we are mainly subject to the competitive landscape of the new motor vehicle dealership market in Singapore. The new motor vehicle dealership market in Singapore includes the authorised dealers and the parallel-import motor vehicle dealers. According to the CIC Report, we ranked 12th among all motor vehicle dealers in Singapore and ranked first among parallel-import motor vehicle dealers in Singapore in both 2016 and 2017 by sales volume of new motor vehicle units. The new motor vehicle dealership market in Singapore includes authorised dealers and the parallel-import motor vehicles dealers and is highly competitive with the top 10 motor vehicle dealers accounting for 64.5% market share by sales volume. There are over 50 authorised dealers representing over 40 motor vehicle brands in Singapore. Meanwhile, there are currently around 131 sizable parallel importers, and many more smaller ones operating in Singapore, the sales volume of which accounted for approximately 23.3% in the Singapore motor vehicle dealership market in 2017. Such percentage is projected to increase in the next five years.

Key factors which affect the competitiveness of motor vehicle dealers include: (i) products and services provided by the dealers; (ii) sales and marketing strategies; and (iii) relationships with suppliers, such as whether the dealers have bargaining power over the suppliers, which will in turn affect cost calculations and the bottom line of the dealers. Parallel importers and authorised dealers compete with each other in terms of, among other things, (i) after-sales support; (ii) variety and workmanship of motor vehicles sold; and (iii) prices. For further details, please refer to the section headed "Industry Overview" in this prospectus.

COMPETITIVE STRENGTHS

We believe that the following key competitive strengths have helped us to distinguish ourselves from our peers and contributed to our market position:

- We have an established track record in the motor vehicles dealership industry in Singapore;
- We have the ability to source and offer a wide variety of motor vehicles to the market in Singapore;
- Our showrooms are located in strategic locations; and
- We have established and maintained good relationships with our principal bankers.

For further details, please refer to the paragraph headed "Business — Our Competitive Strengths" in this prospectus.

BUSINESS OBJECTIVES AND STRATEGIES

Our business objective is to enhance our capabilities and strengthen our position as a parallel-import motor vehicle dealer who provides one-stop motor vehicle solutions by actively developing and expanding complementary business and value-added services to our customers.

Through the Listing, we aim to enhance our corporate governance and implement the following business strategies:

- Expanding our motor vehicle hire purchase financing business;
- Expanding the scale of our pre-owned motor vehicle sales business in Singapore;
- Setting up of our own motor vehicle workshop; and
- Enhancing our branding, sales and marketing efforts.

For further details please refer to the paragraph headed "Business — Our Business Strategies" in this prospectus.

SHAREHOLDER INFORMATION

Following the completion of the Reorganisation, the Capitalisation Issue and the Share Offer, the Pre-IPO Investor will hold approximately 7.7% of the issued share capital of our Company while the Controlling Shareholders, comprising Gatehouse Ventures and Mr. Vincent Tan, are together entitled to control the exercise of the voting rights of approximately 67.3% of the Shares eligible to vote in the general meeting of our Company. For further details, please refer to section headed "History, Reorganisation and Group Structure" in this prospectus. Our Group has entered into and is expected to continue after Listing with certain transactions with certain associates of Mr. Vincent Tan, the Controlling Shareholder. Details of these continuing connected transactions are set out in the section headed "Connected Transactions" in this prospectus.

PRE-IPO INVESTMENT

On 17 July 2017, Mr. Vincent Tan, Solution Lion and the Pre-IPO Investor entered into the Pre-IPO Investment Agreement, pursuant to which Solution Lion allotted and issued 10 ordinary shares of par value of US$1.00 each (the "**Subscription Shares**") to the Pre-IPO Investor for a total cash consideration of HK$13,000,000.00. The Pre-IPO Investor holds 10.0% of the enlarged issued share capital of our Company before completion of the Capitalisation Issue and the Share Offer and approximately 7.7% of its enlarged issued share capital upon the Listing taking into account the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of options that may be granted under the Share Option Scheme). For details, please refer to the section headed "History, Reorganisation and Group Structure" in this prospectus.

KEY OPERATIONAL AND FINANCIAL DATA

Highlights of our combined statements of comprehensive income

	FY2016	FY2017	FY2018
	S$'000	*S$'000*	*S$'000*
Revenue	144,375	204,898	184,993
Gross profit	15,152	22,055	22,034
Operating profit	6,808	11,204	10,751
Profit before tax	5,671	9,795	9,074
Profit and total comprehensive income for the year	4,636	7,996	7,430

Our revenue increased by approximately S$60.5 million or 41.9% from approximately S$144.4 million for FY2016 to approximately S$204.9 million for FY2017 mainly due to the increase in motor vehicle sales. Our revenue decreased by approximately S$19.9 million or 9.7% to approximately S$185.0 million for FY2018 mainly due to the decrease in motor vehicle sales.

Highlights of our combined statements of financial position

	As at 31 December		
	2016	2017	2018
	S$'000	*S$'000*	*S$'000*
Non-current assets	30,774	33,516	35,867
Current assets	42,006	46,897	64,595
Non-current liabilities	771	19,885	19,702
Current liabilities	58,997	40,226	53,028
Net current (liabilities)/assets	(16,991)	6,671	11,567
Net assets	13,012	20,302	27,732

We recorded net current liabilities as at 31 December 2016 mainly due to the block discounting and finance lease liabilities with maturity of more than 12 months being classified as current liabilities if they were payable upon lenders' demand. However, the corresponding finance lease receivables are accounted for based on scheduled repayment dates of our customers. For details, please refer to the paragraph headed "Financial Information — Net Current (Liabilities)/Assets" in this prospectus. We received confirmation letters from our major bank, confirming that it has waived its rights to demand for immediate repayment of the block discounting financing granted to us in the years ended 31 December 2017 and 31 December 2018, respectively. Therefore, our Group classified certain portion of the block discounting financing as at 31 December 2017 and 2018 as non-current liabilities.

Summary of our combined statements of cash flows

The following table summarises our combined statements of cash flows for the Track Record Period:

	FY2016	FY2017	FY2018
	S$'000	*S$'000*	*S$'000*
Operating cash inflows before movements in working capital	7,951	11,861	12,086
Net cash (used in)/generated from operating activities	(847)	14,465	2,763
Net cash used in investing activities	(1,013)	(5,572)	(4,690)
Net cash generated from/(used in) financing activities	3,914	(8,653)	5,843
Net increase in cash and cash equivalents	2,054	240	3,916
Cash and cash equivalents at the beginning of the year	869	2,923	3,163
Cash and cash equivalents at the end of the year	2,923	3,163	7,079

For details, please refer to the paragraph headed "Financial Information — Liquidity and Capital Resources — Cash flows" in this prospectus.

Selected financial ratios

	FY2016	FY2017	FY2018
Gross profit margin	10.5%	10.8%	11.9%
Net profit margin	3.2%	3.9%	4.0%
Return on equity	35.6%	39.4%	26.8%
Return on total assets	6.4%	9.9%	7.4%
Current ratio	0.7	1.2	1.2
Quick ratio	0.3	0.7	0.7
Gearing ratio	377.1%	219.3%	185.6%
Net debt to equity	354.7%	195.4%	157.3%
Interest coverage	4.9	7.3	6.4

For further details of the key financial ratios, please refer to the paragraph headed "Financial Information — Summary of Key Financial Ratio" in this prospectus.

POSSIBLE DETERIORATION IN BUSINESS AND FINANCIAL PERFORMANCE AS A RESULT OF THE EXPECTED DOWNWARD INDUSTRY TREND FOR NEW MOTOR VEHICLE SALES FROM 2018 TO 2023

According to the CIC Report, COE quota experienced a surge between 2014 and 2017 from approximately 30,000 units in 2014 to approximately 89,000 units in 2017, driven by the increasing number of motor vehicle replacement during the period and therefore our Group's business and financial performance had benefited from such growth in the new motor vehicle sales industry during the same period. For FY2016 and FY2017, our Group's total revenue amounted to approximately S$144.4 million and S$204.9 million respectively, representing a growth of approximately 41.9% in FY2017. Our Group's net profit increased to approximately S$8.0 million in FY2017, representing a growth of 72.5% for FY2017. As the replacement of existing motor vehicles reaching its peak in FY2017 was commensurate with the supply of COEs attaining the peak of the COE cycle, coupled with the expected decline in the number of close-to-expiring COEs, LTA had started to reduce the

COEs quota steadily from 2018 and the number of new registrations for private vehicles is expected to decrease accordingly from 2018 to 2023. According to the CIC Report, it is expected that the COE quota will drop by almost 50% from approximately 89,000 units in 2017 to approximately 45,000 units in 2022 and that the number of new motor vehicle registration will drop by over 50% from approximately 112,000 units in 2017 to approximately 57,000 units in 2023. Correspondingly, the new motor vehicle sales from parallel-import motor vehicle dealers will drop from approximately S$3.5 billion in 2017 to approximately S$2.2 billion in 2023 at a CAGR of approximately -7.5% and an adverse effect in the market for new motor vehicle sales in Singapore is therefore anticipated. For further details in relation to the market conditions of new motor vehicle sales, please refer to the section headed "Industry Overview" in this prospectus. In light of the fact that during the Track Record Period over 80% of our total revenue was derived from the sales of new motor vehicles, our Group's business and financial performance may be adversely affected by the expected downward industry trend of new motor vehicles sales from 2018 to 2023.

Notwithstanding the above, our Directors are of the view that our Group's business is sustainable in the long run. In March 2018, we commenced the operations of the Leng Kee Autopoint showroom which is located at Leng Kee Road, which is at a more prominent location in the main automotive belt in Singapore as compared to our showrooms located at The Alexcier and on Ubi Avenue. Our Directors are of the view that our sales and marketing strategy with the opening of the Leng Kee Autopoint showroom has proven to be successful. Notwithstanding the decrease in total COE quota for Category A, Category B and Category C motor vehicles of 11.9% from 2017 to 2018, our Group sold 1,664 and 581 units of new motor vehicles and pre-owned motor vehicles respectively in FY2018, representing a growth of approximately 9.9% and 6.6% respectively, as compared to 1,514 and 545 units of new motor vehicles and pre-owned motor vehicles respectively, in FY2017. Our Directors believe such increase in sales was mainly contributed by the sales efforts as a result of the commencement of operation of the Leng Kee Autopoint showroom since March 2018. Upon Listing, we also intend to diversify our business and expand our customer base by the implementation of our various future plans which our Directors believe would improve the profitability of our Group and mitigate the impact of the downward trend in the sales of new motor vehicles. Further, despite the expected decline from the peak of approximately S$3.5 billion in 2017, the forecasted sales value of new motor vehicles from parallel importers in 2023 will be approximately S$2.2 billion, which is expected to be greater than that of 2015, being approximately S$2.0 billion. In 2015, our Group recorded net profit of approximately S$4.6 million. Please refer to the paragraph headed "Business — Our Business Strategies" and the section headed "Future Plans and Use of Proceeds" in this prospectus in relation to our Group's intentions to develop complementary businesses and value-added services for our customers, and the paragraph headed "Business — Possible Deterioration in Business and Financial Performance as a result of the Expected Downward Industry Trend For New Motor Vehicle Sales from 2018 to 2023" in this prospectus for our Directors' and the Sole Sponsor's view on the sustainability of our Group's business. Please also refer to the paragraph headed "Risk Factors — The expected downward trend in the sales of new motor vehicles industry in Singapore may adversely affect our business and our financial performance should we be unable to implement appropriate business strategies in response to such downward trend" in this prospectus.

OFFER STATISTICS

The following table sets forth the statistics under the Share Offer:

	Based on the Offer Price of HK$0.43 per Offer Share	**Based on the Offer Price of HK$0.47 per Offer Share**
Market capitalisation *(Note 1)*	HK$387 million	HK$423 million
Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company *(Note 2)*	HK$0.26	HK$0.27

Notes:

1. The calculation of market capitalisation is based on the 900,000,000 Shares expected to be in issue immediately upon completion of the Share Offer.

2. For the calculation of the unaudited pro forma adjusted combined net tangible asset value per Share attributable to the Shareholders, please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

LISTING EXPENSES

The total estimated expenses in relation to the Listing (including underwriting commission) are approximately HK$32.3 million, based on the Offer Price of HK$0.45 per Share, being the mid-point of the indicative Offer Price range, of which approximately HK$31.8 million and HK$0.5 million are to be borne by our Group and the Selling Shareholder, respectively. Out of the estimated listing expenses of approximately HK$31.8 million to be borne by us, approximately HK$11.3 million and approximately HK$5.9 million has been charged to our profit or loss account for FY2017 and FY2018, respectively; and approximately HK$4.5 million is expected to be further charged to the profit or loss account for FY2019 and approximately HK$10.1 million is expected to be charged to equity account of our Group for FY2019.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors estimate the net proceeds of the Share Offer which we will receive, assuming an Offer Price at HK$0.45 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), will be approximately HK$60.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Share Offer. We intend to use the net proceeds from the Share Offer in the following manner:

	Total	**Approximate percentage of the total net proceeds**
	(HK$'000)	*(%)*
Expanding the scale of our motor vehicle hire purchase financing business	27,678	45.8
Expanding the scale of our pre-owned motor vehicle sales business	18,247	30.2
Setting up a motor vehicle workshop	6,281	10.4
Enhancing our branding, sales and marketing efforts	4,640	7.7
Working capital	3,597	5.9
Total	60,443	100.0

For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

REASONS FOR SHARE OFFER AND LISTING IN HONG KONG

Our Directors believe that the Listing in Hong Kong would benefit our Group as it will (i) demonstrate to our customers, suppliers and other stakeholders that we adhere to an international standard of corporate governance, internal control and financial reporting, which may enhance our counterparties' and stakeholders' trust in us and allow us to enjoy more favourable terms of business; (ii) broaden our shareholder base and enhance the liquidity of our Shares, as compared to the limited liquidity of the shares that were privately held before the Listing and strengthen our financial position; (iii) enable us to have access to the capital market which, in addition to the cash flow generated from our own operation, will provide us with additional channels for future fund raising exercises, such as bank borrowings, and debt or equity financing from international banks and investors; (iv) provide our Group with enhanced flexibility to achieve a more desirable and optimal capital structure in terms of debt-equity; (v) increase our Group's working capital and enhance our operating cash flow to support our business expansion and operations; and (vi) enable our Company to offer equity-based incentive programs (such as a Share Option Scheme) to our employees that correlate more directly to their performance and raise staff confidence which in turn will improve our ability to recruit, motivate and retain key management personnel so as to expediently and effectively capture any business opportunities that may arise. Our Directors considered and evaluated different listing platforms and concluded that Hong Kong is the suitable place given that (i) it has higher liquidity which would be easier to conduct secondary fund raising for our further expansion in future; (ii) it has a high level of internationalisation, diversity of investors and maturity in the global financial market, with sufficient institutional capital and funds following the companies listed in Hong Kong; (iii) enable our Group to enhance our presence and reputation in the Asian market including the PRC, which will in turn allow our Group to reach out to a wider spectrum of suppliers from Asia and makes it easier for our Group to maintain and build up business relationships with both existing and new suppliers; and (iv) increase the degree of investor recognition of our Company.

For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

DIVIDEND AND DIVIDEND POLICY

For FY2016, FY2017 and FY2018, Vincar declared dividends of approximately S$5.5 million, S$3.0 million and S$Nil, respectively to our Controlling Shareholder. Dividend declared for FY2016 and FY2017 have been recorded in the balance with the Controlling Shareholder as disclosed in Note 24(b) of the Accountant's Report as set out in Appendix I to this prospectus. The amount due to the Controlling Shareholder as at 31 December 2018 is expected to be settled prior to the Listing.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. We currently intend to adopt, after the Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of not less than 15% of our distributable profit for any particular financial year. Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to the applicable laws and regulations including the Companies Law and our Articles which also require the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, amongst other things, our results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors.

Any dividends declared will be in Singapore dollars with respect to the Shares on a per Share basis, and our Company will pay such dividends in Hong Kong dollars.

PRINCIPAL RISK FACTORS

Our Directors consider that there are certain risks and uncertainties involved in our Group's business and operation, some of which are beyond our Group's control. Major risks that are considered to be material to our Group are, *inter alia*: (i) the expected downward trend in the sales of new motor vehicles industry in Singapore may adversely affect our business and our financial performance should we be unable to implement appropriate business strategies in response to such downward trend; (ii) we are exposed to the credit risks of our customers; (iii) we rely on our suppliers for the supply of motor vehicles for our business; (iv) our ability to obtain financing on acceptable terms is critical to our ability to operate, maintain and grow our business; (v) our ability to meet customer demands is dependent on our ability to effectively maintain our inventories; (vi) our profit margins may be eroded if we are unable to secure COEs for motor vehicles at an appropriate premium; (vii) we may be affected by measures or policies which reduce the rate of growth of the vehicle population in Singapore; (viii) we operate in a highly competitive industry; and (ix) our sales of motor vehicles are dependent on market demand in Singapore. For further details, please refer to the section headed "Risk Factors" in this prospectus.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group continued with our sales and marketing efforts in enhancing our Group's branding, leveraging on our newly established Leng Kee Autopoint showroom which commenced operation in March 2018.

MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed "Possible Deterioration in Business and Financial Performance as a result of the Expected Downward Industry Trend for New Motor Vehicle Sales from 2018-2023" in this section above, (i) there has been no material adverse change to our business and financial operation since 31 December 2018 and up to the date of this prospectus; and (ii) no event has occurred that would materially and adversely affect the information shown in the Accountant's Report as set out in Appendix I to this prospectus.

Further, we currently expect that the non-recurring listing expenses in the combined statements of comprehensive income has posed a material adverse change in the financial or trading position or prospect of our Group since 31 December 2018. Prospective investors should be aware of the impact of the Listing expenses on the financial performance of our Group for FY2019.

In this prospectus, the following expressions and terms shall have the meanings set out below unless the context otherwise requires.

"Accountant's Report"	the accountant's report of our Group prepared by our reporting accountant as set out in Appendix I to this prospectus
"AFM"	Automotive Fleet Management Pte. Ltd., a private limited company incorporated in Singapore on 3 September 2015, the entire shareholding interest in AFM was owned as to 50% by Mr. Vincent Tan and 50% by an Independent Third Party prior to the disposal of Mr. Vincent Tan's 50% shareholding interest to another Independent Third Party on 1 June 2017
"Alexcier" or "The Alexcier"	our premises at The Alexcier, 237 Alexandra Road, Singapore which is used as our showroom
"Application Form(s)"	**WHITE** application form(s) and **YELLOW** application form(s) or, where the context so requires, any of them
"ARB"	the Agents' Registration Board set up by the GIA to register any general insurance agent
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, conditionally adopted on 1 February 2019 which will become effective on the Listing Date, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)" or "close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of our Company
"Autoart"	Autoart Motorsports Pte. Ltd., a private limited company incorporated in Singapore on 23 November 2015 and a wholly-owned subsidiary of our Company
"Board"	our board of Directors

"BRABUS Distributor Agreement"	the distributor agreement entered into between BRABUS and Autoart in 2017 under which Autoart is appointed as the exclusive distributor in Singapore for the distribution of the BRABUS Products
"Business Day"	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal business to the public
"BVI"	British Virgin Islands
"Capitalisation Issue"	the issue of 694,999,900 Shares (of which 20,000,000 Shares are Sale Shares) to be made upon capitalisation of part of the sum standing to the credit of the share premium account of our Company as referred to in the paragraph headed "4. Resolutions in writing of all our Shareholders passed on 1 February 2019" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant(s)"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant(s)"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant(s)"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of the HKSCC in relation to CCASS, containing the practices, procedures and administrative requirement relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant(s)"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant

"CCS"	the Competition Commission of Singapore
"Chairman"	the chairman of our Board
"Chief Executive Officer"	the chief executive officer of our Group
"CIC"	China Insights Consultancy Limited, a market research company which is an Independent Third Party
"CIC Report"	the industry report prepared by CIC
"Consumer Protection (Fair Trading) Act"	the Consumer Protection (Fair Trading) Act, Chapter 52A of Singapore (Revised Edition 2009), as amended, supplemented and/or otherwise modified from time to time
"Companies Act"	the Companies Act, Chapter 50 of Singapore (Revised Edition 2006), as amended, supplemented and/or otherwise modified from time to time
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands , as amended, supplemented and/or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
"Companies (WUMP) Ordinance" or "Companies (Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Guan Chao Holdings Limited (冠轈控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 4 July 2017 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 25 January 2018
"Competition Act"	the Competition Act, Chapter 50B of Singapore (Revised Edition 2006), as amended, supplemented and/or otherwise modified from time to time

"connected person(s)" or "core connected person(s)"	has the same meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, namely Mr. Vincent Tan and Gatehouse Ventures
"Copyright Act"	the Copyright Act, Chapter 63 of Singapore (Revised Edition 2006), as amended, supplemented and/or otherwise modified from time to time
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"CPF"	the Central Provident Fund in Singapore
"CPFA"	the Central Provident Fund Act, Chapter 36 of Singapore (Revised Edition 2013), as amended, supplemented and/or otherwise modified from time to time
"Customs Act"	the Customs Act, Chapter 70 of Singapore (Revised Edition 2004), as amended, supplemented and/or otherwise modified from time to time
"Deed of Indemnity"	the deed of indemnity dated 1 February 2019 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are referred to in the paragraph headed "Other information — 15. Tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 1 February 2019 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-competition" in this prospectus

"Director(s)"	the director(s) of our Company
"EFMA"	Employment of Foreign Manpower Act, Chapter 91A of Singapore (Revised Edition 2009), as amended, supplemented and/or otherwise modified from time to time
"Environmental Public Health Act" or "EPHA"	the Environmental Public Health Act, Chapter 95 of Singapore (Revised Edition 2002), as amended, supplemented and/or otherwise modified from time to time
"Euro"	euros, the lawful currency of the European Union
"Excluded Entities"	Vincar Assets and Wealth Assets, "Excluded Entity" means any one of them
"Executive Director(s)"	executive Director(s) of our Company
"Finance Companies Act" or "FCA"	the Finance Companies Act, Chapter 108 of Singapore (Revised Edition 2011), as amended, supplemented and/or otherwise modified from time to time
"FY2016"	the financial year ended 31 December 2016
"FY2017"	the financial year ended 31 December 2017
"FY2018"	the financial year ended 31 December 2018
"FY2019"	the financial year ending 31 December 2019
"Gatehouse Ventures" or "Selling Shareholder"	Gatehouse Ventures Limited, a company incorporated in the BVI with limited liability on 10 May 2017 and wholly-owned by Mr. Vincent Tan
"GBP"	pound sterling, the lawful currency of the United Kingdom
"GIA"	the General Insurance Association of Singapore

"GIARR"	the General Insurance Agents' Registration Regulations, as amended, supplemented and/or otherwise modified from time to time
"Group", "our Group", "we", "us" or "our"	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the businesses which have since been acquired or carried on by them or as the case may be their predecessors
"GST"	goods and services tax
"GST Act"	the Goods and Services Tax Act, Chapter 117A of Singapore (Revised Edition 2005), as amended, supplemented and/or otherwise modified from time to time
"GST Regulations"	the Goods and Services Tax (General) Regulations of Singapore (Revised Edition 2008), as amended, supplemented and/or otherwise modified from time to time
"Hire Purchase Act" or "HPA"	Hire Purchase Act, Chapter 125 of Singapore (Revised Edition 2014), as amended, supplemented and/or otherwise modified from time to time
"Hire Purchase Regulations" or "HPR"	the Hire Purchase (Motor Vehicles) Regulations 2013 of Singapore, as amended, supplemented and/or otherwise modified from time to time
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
"IFRSs"	the International Financial Reporting Standards issued by the International Accounting Standards Board
"Independent Non-Executive Director(s)"	independent non-executive Director(s) of our Company
"Independent Third Party(ies)"	a person(s) or company(ies) who or which is/are independent of and not connected (within the meaning of the Listing Rules) with our Company or any of the directors, chief executive or Substantial Shareholders of our Company and our subsidiaries or any of their respective associates
"Insurance Act"	the Insurance Act, Chapter 142 of Singapore (Revised Edition 2002), as amended, supplemented and/or otherwise modified from time to time
"Joint Bookrunners" or "Joint Lead Managers"	Titan Financial Services Limited and Great Roc Capital Securities Limited
"JPY"	Japanese yen, the lawful currency of Japan
"JTC"	JTC Corporation, a statutory board in Singapore
"Latest Practicable Date"	4 February 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Leng Kee Autopoint"	the premises at Unit #01-02 of the Leng Kee Property for the use as our showroom
"Leng Kee Property"	the building located at 24 Leng Kee Road, Singapore 159096, the owner of which is Wealth Assets
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange

"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date on which dealings in our Shares on Main Board first commence which is expected to be on Thursday, 28 February 2019
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and/or otherwise modified from time to time
"LTA"	the Land Transport Authority of Singapore
"LTA Act"	Land Transport Authority of Singapore Act, Chapter 158A of Singapore (Revised Edition 1996), as amended, supplemented and/or otherwise modified from time to time
"Main Board"	the main board of the Stock Exchange
"MAS"	the Monetary Authority of Singapore
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on 1 February 2019 and as supplemented, amended or otherwise modified from time to time, a summary of which is contained in Appendix III to this prospectus
"MOM"	the Ministry of Manpower of Singapore
"Moneylenders Act" or "MLA"	the Moneylenders Act, Chapter 188 of Singapore (Revised Edition 2010), as amended, supplemented and/or otherwise modified from time to time
"MVA"	the Motor Vehicles (Third-Party Risks and Compensation) Act, Chapter 189 of Singapore (Revised Edition 2000), as amended, supplemented and/or otherwise modified from time to time
"Mr. Khung"	Mr. Khung Poh Sun, an Executive Director

"Mr. Vincent Tan"	Mr. Tan Shuay Tarng Vincent, a Controlling Shareholder, Chairman and Chief Executive Officer of our Company and an Executive Director
"Mrs. Marisa Tan"	Ms. Beng Lee Ser Marisa, the spouse of Mr. Vincent Tan and a member of the senior management of our Company
"Ms. Ng"	Ms. Ng Hui Bin Audrey, an Executive Director
"NEA"	the National Environment Agency of Singapore
"New Shares"	the 205,000,000 new Shares being offered by our Company for subscription at the Offer Price under the Share Offer
"Nomination Committee"	the nomination committee of our Company
"Non-Executive Director"	the non-executive Director of our Company
"Offer Price"	the final price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$0.47 per Offer Share and expected to be not less than HK$0.43 per Offer Share, such price to be agreed upon by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or around the Price Determination Date
"Offer Shares"	collectively, the Placing Shares and the Public Offer Shares
"OICA"	the International Organization of Motor Vehicle Manufacturers
"Patents Act"	the Patents Act, Chapter 221 of Singapore (Revised Edition 2005), as amended, supplemented and/or otherwise modified from time to time

"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters, on behalf of our Company and the Selling Shareholder, for cash at the Offer Price to professional, institutional and other investors in Hong Kong as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Share(s)"	202,500,000 Shares comprising 182,500,000 New Shares offered for subscription by our Company and 20,000,000 Sale Shares offered for sale by the Selling Shareholder at the Offer Price under the Placing (subject to reallocation as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus)
"Placing Underwriters"	the underwriters of the Placing Shares who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
"Placing Underwriting Agreement"	the conditional underwriting agreement relating to the Placing expected to be entered into between our Company, our Controlling Shareholders, our Executive Directors, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters on or around the Price Determination Date
"PRC" or "China"	The People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"Pre-IPO Investment"	the investment made by the Pre-IPO Investor pursuant to the Pre-IPO Investment Agreement
"Pre-IPO Investor" or "Gifted Ally"	Gifted Ally Limited, a company incorporated in the BVI on 2 June 2017 and wholly-owned by Mr. Ng Tat Po, an Independent Third Party

"Pre-IPO Investment Agreement"	the subscription agreement dated 17 July 2017 (as supplemented by the Supplemental Pre-IPO Investment Agreement and the side letter dated 30 November 2018) entered into among the Pre-IPO Investor, Solution Lion and Mr. Vincent Tan, relating to the subscription of 10 ordinary shares of Solution Lion by the Pre-IPO Investor for a cash consideration of HK$13,000,000
"Price Determination Agreement"	the agreement to be entered into by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Tuesday, 19 February 2019, on which the final Offer Price is expected to be fixed for the purpose of the Share Offer
"Public Offer"	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price on and subject to the terms and conditions stated in this prospectus and in the Application Forms as further described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Public Offer Shares"	the 22,500,000 New Shares initially being offered by our Company for subscription in the Public Offer (subject to reallocation), as described under the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Public Offer Underwriters"	the underwriters of the Public Offer Shares whose names are set out in the section headed "Underwriting" in this prospectus

"Public Offer Underwriting Agreement"	the conditional underwriting agreement relating to the Public Offer entered into by our Company, our Executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters on 12 February 2019, details of which are set forth in the section headed "Underwriting" in this prospectus
"Registered Designs Act"	the Registered Designs Act, Chapter 266 of Singapore (Revised Edition 2005), as amended, supplemented and/or otherwise modified from time to time
"Regulation of Imports and Exports Act"	the Regulation of Imports and Exports Act, Chapter 272A of Singapore (Revised Edition 1996), as amended, supplemented and/or otherwise modified from time to time
"Remuneration Committee"	the remuneration committee of our Company
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed "History, Reorganisation and Group Structure" in this prospectus
"Road Traffic Act" or "RTA"	the Road Traffic Act, Chapter 276 of Singapore (Revised Edition 2004), as amended, supplemented and/or otherwise modified from time to time
"Sale Shares"	20,000,000 Shares to be offered for sale by the Selling Shareholder at the Offer Price under the Placing
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented and/or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company

"Shareholder(s)"	holder of Share(s)
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally adopted by our Company pursuant to a resolution in writing of all our Shareholders passed on 1 February 2019 as described in the paragraph headed "Statutory and General Information — 14. Share Option Scheme" in Appendix IV to this prospectus
"Singapore"	The Republic of Singapore
"Singapore Customs"	a government agency under the Ministry of Finance of Singapore for trade facilitation and revenue enforcement
"Singapore Legal Advisers"	Rajah & Tann Singapore LLP, the legal advisers to our Company as to Singapore laws
"Singapore Subsidiaries"	Vincar, VLR and Autoart, collectively
"Sole Sponsor"	Titan Financial Services Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Listing
"Solution Lion"	Solution Lion Limited, a company incorporated in the BVI with limited liability on 12 May 2017 and our wholly-owned subsidiary
"Southeast Asia"	includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Timor-Leste and Vietnam
"S$" or "SGD"	Singapore dollars, the lawful currency of Singapore
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires

"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supplemental Pre-IPO Investment Agreement"	the supplemental agreement dated 16 November 2018 to the Pre-IPO Investment Agreement entered into among the Pre-IPO Investor, Solution Lion and Mr. Vincent Tan in relation to the extension of the period of the non-disposal undertaking in respect of the Shares held by the Pre-IPO Investor upon Listing to 18 months from the Listing Date
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented and/or otherwise modified from time to time
"Track Record Period"	FY2016, FY2017 and FY2018
"TMA"	the Trade Marks Act, Chapter 332 of Singapore (Revised Edition 2005), as amended, supplemented and/or otherwise modified from time to time
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"US$"	United States dollars, the lawful currency of the United States of America
"Vincar"	Vincar Pte. Ltd., a private limited company incorporated in Singapore on 18 December 2003 and a wholly-owned subsidiary of our Company
"Vincar Assets"	Vincar Assets Pte. Ltd. (formerly known as Vincar Leasing Pte. Ltd.), a private limited company incorporated in Singapore on 13 March 2014 and is owned as to 50% by Mr. Vincent Tan and 50% by Mr. Cheng Kok Shin, an Independent Third Party
"VLR"	Vincar Leasing and Rental Pte. Ltd., a private limited company incorporated in Singapore on 23 May 2014 and a wholly-owned subsidiary of our Company

"Wealth Assets"	Wealth Assets Pte. Ltd., a private limited company incorporated in Singapore on 18 March 2014 and is owned as to 20% by Vincar Assets and 80% by an Independent Third Party
"Wealth Assets Group"	Wealth Assets and its wholly-owned subsidiary
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or applicants' own name(s)
"WICA"	Work Injury Compensation Act, Chapter 354 of Singapore (Revised Edition 2009), as amended, supplemented and/or otherwise modified from time to time
"WSHA"	Workplace Safety and Health Act, Chapter 354A of Singapore (Revised Edition 2009), as amended, supplemented and/or otherwise modified from time to time
"WSHR"	Workplace Safety and Health (General Provisions) Regulations of Singapore, as amended, supplemented and/or otherwise modified from time to time
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS

All dates and times in this prospectus refer to Hong Kong time unless otherwise stated.

No representation is made that any amounts in S$, HK$ and US$ can be or could have been converted at the related dates at the above rates or any other rates or at all. Unless otherwise stated, the (i) conversion of S$ into HK$ in this prospectus is based on the exchange rate of S$1.00 to HK$5.8; and (ii) the conversion of US$ into HK$ in this prospectus is based on the exchange rate of US$1 to HK$7.8.

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

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

"ARF"	the additional registration fee, a tax imposed upon registration of a motor vehicle, calculated based on a percentage of the OMV of the motor vehicle
"bhp"	brake horse power
"blanket hire purchase facility"	a financing facility for the acquisition of machinery, equipment and commercial vehicles
"block discounting facility"	a credit facility which allows motor vehicle dealers and leasing companies to discount blocks of hire purchase and leasing agreement receivables for present cash
"BRABUS"	BRABUS GmbH, a high-end motor vehicle tuner and manufacturer of high-performance motor vehicles
"BRABUS modified cars"	vehicles (other than vehicles of a German car brand) which are modified and enhanced by BRABUS
"BRABUS Products"	BRABUS tuning components for vehicles of a German car brand, BRABUS supercars and BRABUS modified cars
"BRABUS supercars"	vehicles of a German car brand which are modified and enhanced by BRABUS
"Category A"	class of motor vehicles with engine capacity of up to 1,600cc and maximum power output of up to 97 kilowatts
"Category B"	class of motor vehicles with engine capacity of above 1,600cc or maximum power output above 97 kilowatts
"Category C"	class of goods vehicles and buses
"cc"	cubic centimetre

"CEVS"	the Carbon Emissions-Based Vehicle Scheme administered by the LTA which encourages motor vehicle purchasers to choose low carbon emission models
"COE(s)"	the Certificate(s) of Entitlement issued by the LTA which represent(s) the right(s) to ownership of motor vehicle(s) and use of road space in Singapore for 10 years
"commercial vehicles"	the commercial vehicle category including vans, trucks, buses/minibuses, etc.
"corporate customers"	our customers who are corporate entities other than motor vehicle dealers
"CO_2"	carbon dioxide, a type of exhaust gas emitted from a motor vehicle
"Early Turnover Scheme"	the Early Turnover Scheme administered by the LTA which incentivises eligible motor vehicle owners to replace their Category C diesel motor vehicles with cleaner models
"ERP"	the Electronic Road Pricing System used to manage traffic congestion in Singapore
"Employment Pass"	a type of work pass granted by the MOM to foreign professionals, managers and executives who wish to work in Singapore
"floor stocking facility"	a short-term credit facility to finance the purchase of motor vehicles stock by motor vehicle dealer
"km"	kilometres
"kW"	kilowatt
"Lemon Laws"	consumer protection laws that provide remedies against goods with latent defects

"maintenance and repair"	maintenance refers to the act of keeping a predetermined condition of motor vehicle subsystems and servicing or replacing parts and fluids; and repair refers to the act of inspecting and repairing motor vehicle failure from a technical perspective to reach certain safety standards and performance levels
"OCOE facility"	a credit line granted to motor vehicle dealers solely for the purchase of online COE bidding
"OMV"	the open market value of the motor vehicle as assessed by the Singapore Customs, taking into account the purchase price, freight, insurance, handling and all other charges incidental to the sale and delivery of the motor vehicle from the country of manufacture to Singapore
"parallel-import motor vehicles"	motor vehicles which are purchased from parties who are not authorised dealers
"PARF"	the preferential additional registration fee, a rebate computed based on the age of the motor vehicle at deregistration.
"private-hire car"	a motor car that does not ply for hire on any road, and is either (a) hired or made available for hire under a contract for use as a whole by the hirer or any other individual authorised by the hirer in a contract to drive the car personally or (b) hired or made available for hire under a contract for use as a whole with a driver for the purpose of conveying the hirer, and one or more passengers (if any), in that car
"private-hire car booking service operator"	a person who, in the course of business, (a) accepts, or makes provision for the invitation or acceptance of, bookings from people for a ride-sourcing service and (b) communicates the bookings to private-hire car drivers to carry out that ride-sourcing service using licensed chauffeured private-hire cars
"private vehicles"	the private vehicle category includes sedans, MPVs, SUVs, and hatchbacks

"public service vehicle"	a vehicle used or kept for use for the carriage, for hire or reward, of (a) in the case of a motor car which does not ply for hire on any road but is hired under a contract for the use of the car as a whole, the driver of the car or any passenger or (b) in any other case, any passenger
"ride-sourcing service"	a service where (a) a passenger books transport for a journey within, or partly within, Singapore through a private-hire car booking service operator, (b) the private-hire car booking service operator communicates the passenger's booking to a private-hire car driver and (c) that driver carries out the transport booked using a licensed chauffeured private-hire car
"showroom"	dedicated motor vehicle display and sales centre
"S-Pass"	a type of work pass granted by the MOM to mid-level skilled foreigners who wish to work in Singapore
"trust receipt financing"	a type of short-term import loan to provide the motor vehicle dealer with financing to settle motor vehicles imported under a letter of credit where title of goods is held by the bank
"VES"	the Vehicular Emissions Scheme administered by the NEA which encourages motor vehicle purchasers to choose motor vehicle models that have lower emissions of five pollutants, namely, carbon dioxide, hydrocarbons, carbon monoxide, nitrogen oxides and particulate matter
"VQS"	the Vehicle Quota System administered by the LTA which regulates the rate of growth of motor vehicles on the roads in Singapore
"Work Permit"	a type of work pass granted by the MOM to semi-skilled foreign workers in the construction, manufacturing, marine shipyard, process or services sector who wish to work in Singapore

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS MAY NOT MATERIALISE

We have included in this prospectus forward-looking statements that are not historical facts, but relate to our intentions, beliefs, expectations or predictions for future events. These forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", and "Financial Information", which are, by their nature, subject to risks and uncertainties.

In some cases, we use the words "aim", "anticipate", "believe", "consider", "continue", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would", "wish" or similar expressions or the negative of these words or other similar expressions or statements to identify forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the following:

— our business prospects, operating strategies and plan of operation;

— our dividend policy;

— our capital expenditure plans;

— the amount and nature of, potential for and future development of our business;

— our operations and business prospects, including new locations of expansion;

— our overall financial condition and performance;

— our planned projects;

— the regulatory environment of our industry in general and restrictions that may affect the industry in which we operate;

— the general industry outlook, competition for our business activities and future development in our industry;

— macroeconomic measures taken by the Singapore government to manage economic growth and general economic trends in Singapore;

— general political and economic conditions in Singapore, Hong Kong and overseas;

— other statements in this prospectus that are not historical facts;

— realisation of the benefits or our future plans and strategies; and

— other factors beyond our Group's control.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and we have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are untrue or misleading or that any fact has been omitted that would render such forward-looking statements untrue or misleading in any material respect. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect the current views of our Company or our management with respect to future events and are not a guarantee of future performance.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Controlling Shareholders, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. Our Company undertakes no obligations to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

In this prospectus, statement of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

The expected downward trend in the sales of new motor vehicles industry in Singapore may adversely affect our business and our financial performance should we be unable to implement appropriate business strategies in response to such downward trend

During the Track Record Period, our revenue has been mainly derived from our sales of new motor vehicles, which accounted for approximately 82.8%, 83.1% and 84.3% of our total revenue for FY2016, FY2017 and FY2018, respectively. Our Group's total revenue amounted to approximately S$144.4 million, S$204.9 million and S$185.0 million for FY2016, FY2017 and FY2018, respectively representing a growth of approximately 41.9% in FY2017 and a decrease of 9.7% in FY2018. Our net profit increased by approximately 72.5% from FY2016 to FY2017 and decreased by approximately 7.5% from FY2017 to FY2018.

Such significant growth was mainly attributable to the positive industry trend from 2014 onwards when LTA increased the supply of COEs due to the increasing number of motor vehicle replacements arising from the expiration of COEs issued in the last decade until 2017. This increase in supply of COEs led to a decline in COE premium which in turn led to a higher market demand. Accordingly, there was a positive impact on our revenue from FY2016 to FY2017.

With the current fleet of motor vehicles in the industry being increasingly replaced with new motor vehicles and the expected decline in the number of COEs nearing their 10-year validity period,

LTA has started to reduce the COE quota steadily from 2018. The number of new registrations for private vehicles is expected to decrease accordingly from 2018 to 2023 and COE premium is expected to be driven up from 2019 onwards. This expected downward trend in COE supply would affect the new motor vehicle sales in Singapore adversely from 2018 to 2023 which may also adversely affect our business and financial performance as a whole. The tightening of COE quota from 2018 onwards would not materially affect the supply of pre-owned motor vehicles.

The decreasing trend in COE quota is evident from the decrease in the total COE quota for Category A, Category B and Category C motor vehicles by approximately 11.9% between the years 2017 and 2018. Nonetheless, for FY2018, we sold 1,664 units and 581 units of new motor vehicles and pre-owned motor vehicles, respectively, representing a growth of approximately 9.9% and 6.6%, respectively as compared to 1,514 units and 545 units of new motor vehicles and pre-owned motor vehicles sold, respectively, in FY2017. In this regard, our Directors believe that the increase was mainly driven by our enhanced sales and marketing efforts as a result of the commencement of operations of Leng Kee Autopoint showroom in March 2018. Notwithstanding the foregoing, there is uncertainty whether the growth in our motor vehicle sales can be sustained in the future amidst the expected downtrend in the new motor vehicle sales industry in Singapore from 2018 to 2023.

In response to such expected downward trend in the sales of new motor vehicles from 2018 to 2023, our Group intends to carry out the business strategies upon Listing, including but not limited to (i) the expansion of our in house motor vehicle hire purchase financing business; (ii) the expansion of the scale of pre-owned motor vehicle sales business; and (iii) setting up of our own motor vehicle workshop upon Listing as set out in further details under the paragraph headed "Business — Our Business Strategies" in this prospectus which our Directors believe would improve the profitability of our Group and mitigate the impact of the downward trend in the sales of new motor vehicles. Our Directors' view on the sustainability of our Group has also been set out in the paragraph headed "Business — Possible Deterioration in Business and Financial Performance as a result of the Expected Downward Industry Trend for New Motor Vehicle Sales from 2018 to 2023" in this prospectus. In the event that we fail to implement these business strategies upon Listing or any other measures in response to the expected downward trend in the sales of new motor vehicles industry, the financial or trading position or prospects of our Group may be materially and adversely affected.

We are exposed to the credit risks of our customers

Our customers generally take out motor vehicle hire purchase financing from us to fund the purchase of motor vehicles. As such, our business and financial results are dependent on the timely payments and creditworthiness of our customers. Should the creditworthiness of our customers deteriorate or a significant number of our customers fail to timely settle their payments for any reason, we may incur impairment losses and our financial position and results of operations could be materially and adversely affected.

In addition, there may be a risk of delay in payment by our customers, which in turn affects our profitability. For example, under certain of our block discounting facilities with various banks and/or financial institutions, our obligation remains even if our customers default in their payments to us. There is no assurance that we will be able to fully recover our payments from our customers or that they will make payments to us in a timely manner.

During the Track Record Period, our Group experienced two, eight and three cases on payment defaults in relation to our provision of direct motor vehicle financing services in FY2016, FY2017 and FY2018, respectively. The total outstanding balances of these cases were approximately S$184,000, S$803,000 and S$242,000, respectively, represented a default rate of approximately 0.7%, 2.8% and 0.9%, respectively for the corresponding years.

In the event that we repossess a customer's motor vehicle due to payment defaults, we may then put such repossessed motor vehicle up for sale. There can be no assurance that the proceeds we receive from such sale will be sufficient to cover the costs incurred.

In addition, we may encounter payment defaults in our motor vehicle leasing business. We cannot ensure that such defaults will not happen in the future, or that we will not experience cash flow problems as a result of such defaults. We may not even be able to enforce our contractual rights to receive payment through legal proceedings.

As at 31 December 2016, 31 December 2017 and 31 December 2018, approximately S$2.9 million, S$6.8 million and S$5.2 million, respectively, of trade receivables were past due but not impaired. For further details, please refer to the paragraph headed "Financial Information — Analysis of Selected Components of Combined Statements of Financial Position — Trade receivables" in this prospectus. While issues arising from the credit risks of our customers may not have had a material impact on our operations and financial condition during the Track Record Period, any future occurrence of a default or delay in payment by our customers may still materially and adversely affect our business, net assets, financial condition and results of operations.

We rely on our suppliers for the supply of motor vehicles for our business

Since we do not engage in the manufacturing of motor vehicles, our sales of motor vehicles are dependent on the supply of motor vehicles from our suppliers. During the Track Record Period, our five largest suppliers contributed approximately 80.4%, 71.9% and 89.5% to our Group's total purchase cost of motor vehicles for FY2016, FY2017 and FY2018, respectively. In particular, our largest supplier contributed approximately 64.1%, 60.7% and 71.4% to our Group's total purchase cost of motor vehicles for FY2016, FY2017 and FY2018, respectively. While our relationship with our top suppliers has lasted for one to eight years, there can be no assurance that we can continue to maintain this relationship in the future.

Further, our suppliers may encounter difficulties supplying motor vehicles to us or may run into financial difficulties due to factors which are beyond our control. In such situations, if our suppliers attempt to increase their prices, alter payment terms and/or pass on their increased costs to us, reduce their supply of motor vehicles or cease operations, such actions would likely increase our costs, create challenges for us in meeting our customers' expectations and may have a negative impact on our reputation.

In addition, from time to time, we are required by our suppliers to make deposit payments upon placement of orders for new motor vehicles. In the event such motor vehicle suppliers are unable to deliver the orders and that deposit payments by our Group are not refunded, fully or partially on a timely manner, our business, financial position and results of operations may be adversely affected.

Our ability to obtain financing on acceptable terms is critical to our ability to operate, maintain and grow our business

We require funding to operate our business, acquire inventories, enter into motor vehicle hire purchase arrangements with our customers and maintain optimum levels of working capital. There can be no assurance that the cash flow generated by our operations will be sufficient to fund our operations. We have generally relied on cash generated from our operations and bank loans and other external financing to fund our operations and expansion. Our ability to obtain adequate loan financing on acceptable terms depends on several factors including our financial performance and the results of operations and compliance with the terms of our banking facility agreements as well as other factors beyond our control such as global, regional and local economic conditions, prevailing interest rates, any tightening of credit conditions and applicable laws and regulations. If we are unable to obtain sufficient financing when required, at a reasonable cost or on reasonable terms, or at all, our growth prospects and competitiveness may be adversely affected.

In order to procure funding for our capital expenditure, we have taken out various bank loan facilities and lines of credit which are secured by mortgages over our properties at The Alexcier, charges over assets and assignments of proceeds. Such existing security over our assets may affect the pool of available assets for security which may in turn impact on our ability to obtain further financing.

In addition, we may be subject to cash flow interest rate risk in relation to our Group's variable-rate bank borrowings and bank overdrafts. This may in turn negatively affect our financial condition and results of operations.

Our ability to meet customer demands is dependent on our ability to effectively maintain our inventories

In order to respond to customer demands for motor vehicles in a timely manner, we aim to maintain a reasonable level of inventory of motor vehicles. Our inventory turnover days were approximately 54 days, 40 days and 50 days for FY2016, FY2017 and FY2018, respectively. For further details, please refer to the paragraph headed "Business — Inventory Management" in this prospectus.

We had in the past encountered cases where our customers placed orders within a short notice period and as such, if we understock our inventory, our ability to meet such demands may be affected. On the other hand, if we overstock our inventory, we will incur additional storage costs for such inventory. While we have not experienced instances where we were not able to maintain sufficient levels of inventory, there can be no assurance that we will not face under-stocking and/or overstocking issues in the future. Instances of under-stocking or overstocking of our inventory may adversely affect our reputation, results of operations and financial condition.

Further, our performance may also be affected by inventory holding costs such as financing costs, storage, logistics and insurance costs. A significant increase in these costs may have an adverse impact on the overall financial position and profitability of our Group.

We may be exposed to risks of inventory obsolescence

We may be exposed to higher risks of inventory obsolescence, a decline in inventory values and significant write-downs or write-offs if we fail to manage our inventory effectively and overstock unpopular motor vehicles. We may also be required to lower sales prices in order to reduce inventory level, which may lead to lower gross profit margins. All of these factors may in turn affect our Group's results of operations and financial position.

Our profit margins may be eroded if we are unable to secure COEs for motor vehicles at an appropriate premium

In the sales of parallel-import motor vehicles, we offer our customers a guaranteed COE option, under which we will either (i) provide a guaranteed bid for customers (regardless of the number of bids); or (ii) assist in making an agreed number of bids from the date of the sales order. Pursuant to this option, we will have to successfully secure the COE and thereafter deliver the motor vehicle to the customer along with the COE regardless of the price of the COE, which may significantly differ from the anticipated cost. This is in line with industry practice.

As an illustration, for scenario (ii), this means that we would have to secure a COE within a period of one to two months (considering that there are two bidding exercises each month on the Online COE Open Bidding System). There have been instances where our margins have increased or decreased due to differences between our anticipated cost of COE and the actual cost of the COE, and there is no assurance that there will be no loss in such transactions. In the event the cost of the COE is higher than our anticipated cost, we may be unable to pass on such difference to our customer and will need to absorb such additional costs ourselves as our customers are only be required to pay the originally agreed COE price.

Accordingly, it is important that we are able to correctly anticipate the cost of the COE to ensure that we are able to maintain a sufficient level of profit margin on that transaction. Our profit margins may be eroded in instances where such additional cost exceeds our predetermined mark-up, and we may even incur a loss on such transactions if the difference is significant, thereby affecting our business, financial condition and results of operations.

Our business may be affected if we are unable to operate on our premises and our future plans may be affected if we are unable to secure an appropriate location for our motor vehicle showroom and workshop

Our operations are currently carried out at our office in the OC Building and our showrooms at Leng Kee Autopoint, The Alexcier and Ubi Avenue. We intend to set up a motor vehicle workshop at certain premises located at the Leng Kee Property. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

The leasehold estate for our showroom at The Alexcier is for a period of 30 years expiring on 11 December 2035. The term of the tenancies for our various other premises ranges from one to three years. There can be no assurance that we will be able to successfully renew our leases upon their respective expiry on similar terms. Furthermore, our leases may be prematurely terminated or suspended for various reasons, such as compulsory acquisition by the government or material property damage. In such events, our insurance may be insufficient to cover our losses. We may also be required to vacate the premises if we are in default under the relevant lease.

If we are required to relocate our operations, the relocation may disrupt our business and there is no assurance that we will be able to successfully mitigate any loss brought about by such disruption. We may also incur additional costs for the relocation.

Our ability to set up our motor vehicle workshop at the Leng Kee Property is subject to obtaining the requisite regulatory approvals in relation to the permitted use and our ability to finalise and execute a definitive tenancy agreement with the landlord. The renewal of our leases may also be subject to the relevant landlord obtaining the requisite regulatory approvals.

In the event we are unable to secure alternative sites at comparable locations and on comparable terms, this may affect our business, financial condition, results of operations and future plans. Given the retail focus of our business, the loss of any showroom and the limitation in procuring a suitable replacement within a short period of time may have a disproportionate effect on us.

We may incur additional expenses and resources in the event of claims for defects, recalls or delays in delivery

Any defects in or recall of the motor vehicles, or failure to satisfy the requirements of our customers could lead to claims made against our Group. These claims may include compensating our customers for any loss they may incur or sustain as a result of purchasing defective motor vehicles from us.

In addition, our customers may claim against our Group for delayed delivery which may have caused by the late delivery by our suppliers.

Motor vehicles manufacturers may recall their motor vehicles from time to time to remedy certain problems or product defects. We may assist in rectifying the product defect which may increase our labour costs thereby affecting our profitability. Any motor vehicle recall may adversely affect the reputation of the motor vehicle manufacturers and our reputation, and our customers' confidence in the quality, safety and reliability of the motor vehicle models.

For instance, the LTA had previously recalled motor vehicles with defective airbags produced by a Japanese automobile manufacturer. These recalls were first initiated in Singapore in 2013 and as at 4 August 2016, there had been a total of 43 recall exercises involving 8 vehicle makes and about 130,000 airbag inflators. Some of the affected models were sold in the course of our business. In the event of a recall notified by LTA, motor vehicle dealers and parallel importers who have sold motor vehicles affected by any such recall must: (i) notify the LTA and affected motor vehicle owners; (ii) make the necessary arrangements to rectify the defects; and (iii) update the LTA on the rectification works. During the Track Record Period, we have incurred minor labour costs due to these recall exercises. There is no assurance that there will not be further motor vehicle recalls in the future in respect of the motor vehicle models we sell. Any future motor vehicle recall could have a negative impact on our sales, which in turn could adversely affect our business, financial position and results of operations.

In the event we are involved in any legal dispute or proceedings in connection with any claims for defects, recalls or delays in delivery, our Group may incur a significant amount of expenses and resources on such proceedings which may adversely affect our reputation, financial position and performance.

We may incur costs for warranties given on the motor vehicles sold by us to our individual or corporate customers

Pursuant to the terms of our sales agreements, our Group provides warranties for the motor vehicles sold by us and these warranties are set out in the service booklet which we provide to our customers. However, we do not provide warranties for the motor vehicles sold to customers who are motor vehicle dealers. Further, our suppliers generally do not provide us with any warranties. As such, in the event of discovery of defects covered under the warranty provided by our Group, we cannot make any warranty claim against our suppliers. As such, this mismatch between the arrangement with our suppliers and our sales agreement with our customers may cause us to incur costs arising from the warranty services provided to our customers. The costs of provision of warranty services amounted to approximately S$250,000, S$272,000 and S$145,000 for FY2016, FY2017 and FY2018, respectively. There can be no assurance that we will not experience material increments in such costs for warranty services provided by us. If such costs for providing warranty services relating to the repair of the motor vehicles sold by us were to rise significantly, our Group's financial condition and profitability could be materially and adversely affected.

Our motor vehicle leasing business depends on our ability to secure new lease agreements with our customers and achieve adequate utilisation

We enter into lease agreements with our customers under our motor vehicle leasing business. Our ability to secure new lease agreements in turn depends on continued motor vehicle rental demand from our customers, the quality and responsiveness of our motor vehicles and services and our rental prices as against the prevailing market rates. If we are unable to secure and renew lease agreements, our leasing business revenue and our business, financial condition and results of operations may be affected.

The motor vehicles that we purchase for our motor vehicle leasing business are generally purchased through financing obtained from various financial institutions including banks. If we fail to achieve sufficient utilisation which covers such monthly instalment payments and/or if the number of our motor vehicle leasing customers were to reduce significantly, our business, financial condition and results of operations may be affected.

We may be unable to maintain our insurance agency business

We are currently registered with the GIA as an insurance agent, which allows us to provide insurance agency services. All insurance agents are required to comply with the Insurance Act, GIARR and other guidelines and regulations issued by the MAS and the GIA from time to time. Further, we are only able to engage in insurance agency business if we are engaged by insurers who are licensed by the MAS. In addition, as we are a corporate insurance agent, we are required to have at least one nominee agent at all times. For further details, please refer to the paragraph headed "Regulatory Overview — Insurance Act" in this prospectus. In the event we fail to comply with the Insurance Act or any of the applicable guidelines and regulations, our principals may terminate their contract with us or if we lose our nominees and are unable to find a replacement, we may be unable to continue our insurance agency business. This may in turn negatively affect our business and the results of our operations.

Our appointment as the exclusive authorised distributor for the BRABUS Products in Singapore is subject to the BRABUS Distributor Agreement

Our right to operate as the exclusive authorised distributor for the BRABUS Products in Singapore is governed by the terms set out in the BRABUS Distributor Agreement.

The BRABUS Distributor Agreement has been renewed automatically and shall be valid until 31 December 2019. For further details, please refer to the paragraph headed "Business — Our Competitive Strengths" in this prospectus. If the BRABUS Distributor Agreement is terminated, we would no longer be able to engage in the distribution of the BRABUS Products in Singapore which might adversely affect our business, profits and results of operation.

We recorded net current liabilities during the Track Record Period and may continue to do so in the future

As at 31 December 2016, we recorded net current liabilities of approximately S$17.0 million. This was mainly attributable to the following factors:

- Our finance lease liabilities with maturity of more than 12 months were classified as current liabilities, as such liabilities were repayable on demand. However, the corresponding finance lease receivables were recorded as non-current assets, as such receivables were accounted for based on our customers' scheduled repayment dates.

- During the Track Record Period, we expanded our motor vehicle fleet for leasing and funded such expansion by borrowings. The acquired motor vehicles were classified as non-current assets while the borrowings used for the acquisition were partially classified as current liabilities.

There is no assurance that we will not experience a net current liabilities position in the future.

A net current liabilities position may expose us to liquidity risks. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding which would increase our leverage ratio, or issue new Shares which would affect the prevailing market price of the Shares and may dilute our Shareholders' interests if such issuances are not on a pro rata basis. If adequate funds are not available, whether on commercially acceptable terms or at all, we may be forced to delay or abandon our business plans, and our business, financial condition and results of operations may be materially and adversely affected.

Our net cash outflow from operating activities may affect our liquidity

For FY2016, our Group recorded net cash outflow in operating activities of approximately S$0.8 million. This net cash outflow was mainly attributable to the purchase of motor vehicles which was positively correlated to our Group's inventory movement and the net increase in our finance lease receivables that were financed by our block discounting financing. For further details, please refer to the paragraph headed "Financial Information — Liquidity and Capital Resources — Cash flows" in this prospectus. We cannot ensure that we will not experience any net cash outflow from operating activities in the future. Our liquidity in the future will, to an extent, depend on our ability to maintain adequate cash inflows from operating activities and financing activities such as borrowings. Should there be any significant deterioration in the credit quality of our finance lease receivables, our liquidity and cash flows from operating activities could be materially and adversely affected.

Our Group has no prior track record and operating history in establishing and operating a motor vehicle workshop

As set out in the paragraph headed "Business — Our Business Strategies" and the section headed "Future Plans and Use of Proceeds" in this prospectus, our Group intends to establish and operate a motor vehicle workshop in the future to provide one-stop service and to supplement our motor vehicle sales business. As our Group does not have a proven track record in operating a motor vehicle workshop, there is no assurance that this business will be commercially successful and we may suffer losses if our Group is unable to derive sufficient revenue to offset the capital and start-up costs as well as operating costs arising from the business of operating a motor vehicle workshop.

The business of operating a motor vehicle workshop is an investment by our Group which involves business risks such as financial costs of setting up new operations, capital investment and maintaining working capital requirements. Such investment may not yield returns immediately and this may affect our overall financial position and profitability.

Our Group also needs to comply with additional laws and regulations in its operation of a motor vehicle workshop. For further details, please refer to the section headed "Regulatory Overview" in this prospectus. The additional regulatory requirements may in turn lead to higher compliance costs.

Our profitability may be affected by the potential increase in depreciation expenses upon the implementation of our future plan of setting up a motor vehicle workshop

We expect to incur capital expenditure of approximately S$1.4 million in FY2019 for our future plan of setting up a motor vehicle workshop. The capital expenditure includes the costs for renovation and fittings as well as purchases of plants and equipment necessary for the operation of the motor vehicle workshop. We will finance such capital expenditure fully by utilising a portion of the net proceeds from the Share Offer as well as our internal resources. For further details, please refer to the paragraphs headed "Business — Our Business Strategies" and the section headed "Future Plans and Use of Proceeds" in this prospectus.

As a result of such capital expenditure to be incurred for our future plans, it is expected that additional depreciation will be charged to our profit and loss and may therefore affect our financial performance and operating results.

It is estimated that the relevant fixed assets to be capitalised would have useful lives from one to three years and is estimated that additional depreciation expenses of approximately S$238,000, S$470,000 and S$464,000 will be charged to the consolidated profit and loss account of our Group for FY2019 and for the year ended 31 December 2020 and 2021, respectively.

Our future plan to expand the scope of our pre-owned motor vehicle sales business may increase our inventory holding costs

As set out in the section headed "Future Plans and Use of Proceeds" in this prospectus, we intend to expand the scope of our pre-owned motor vehicle sales business. Currently, our pre-owned motor vehicles are mainly sold to motor vehicle dealers. We intend to expand the scope of this business activity by increasing our focus on retail sales of pre-owned motor vehicles.

The business risks of retail sales of pre-owned motor vehicles include potential increase in our inventory holding costs. Sales transactions with retail customers may take a longer time to complete as compared to those with motor vehicle dealers as the sales of pre-owned motor vehicles to retail customers may be more sensitive to factors such as consumer trends and the degree of acceptance of pre-owned motor vehicles which are beyond our control.

Our success in implementing this future plan is therefore dependent on our ability to match our supply of pre-owned motor vehicles with the market's demand for them. If retail demand for pre-owned motor vehicles lags behind our inventory, we may encounter additional costs as a result of holding and managing our inventory of pre-owned motor vehicles such as financing costs, warehousing and logistics costs and insurance costs. A significant increase in such costs may have an adverse impact on our business, financial position and results of operations.

We depend on our key management team and our business may be severely disrupted if we lose their services

Our performance depends on the continued service and performance of our Directors and senior management as they are expected to play an important role in guiding the implementation of our business strategies and future plans. The goodwill and strong networks that our experienced management team has developed with various customers over the past years are important to the further development of our business. If any of our Directors or any members of our senior management were to terminate their services or employment, there can be no assurance that we would be able to find suitable replacements in a timely manner. The loss of services of key personnel and/or the inability to identify, hire, train and retain other qualified managerial personnel in the future may materially and adversely affect our business, financial condition, results of operations and prospects.

Mr. Vincent Tan, our founder and Chief Executive Officer, has been the main contributor to our success and he provides strategic leadership and vision to our Group. As our Group has forged a strong relationship of trust with many of its suppliers and customers through their business interactions with Mr. Vincent Tan, the continued success and growth of our Group is dependent on our ability to retain his services. Further, we do not maintain any key man insurance coverage for Mr. Vincent Tan. The loss of Mr. Vincent Tan's services as our Chairman, Executive Director and Chief Executive Officer may adversely affect our business, future plans and prospects.

We may be affected by negative publicity

We operate in a highly competitive industry and there are many choices available to the potential buyers for their purchase of motor vehicles. Given the retail focus on our motor vehicle sales business, we are particularly reliant on our brand image. In this regard, customer satisfaction in their experience at our showrooms, our motor vehicles and our after-sales services is critical to the success of our business since customers may spread their customer experience through word of mouth. In the event we are unable to maintain a high level of customer satisfaction or any such dissatisfaction is inadequately addressed and becomes widespread, our reputation may be affected.

In addition to negative customer experience, our reputation may also be adversely affected by negative publicity in reports, publications such as major newspapers, automobile magazines and motor vehicles sales websites and forums, or any other negative publicity or rumour (whether founded or unfounded). Given that we operate in the parallel-import motor vehicle industry in Singapore, any negative publicity concerning the parallel-import motor vehicle industry in general may also affect our reputation and image by association. There can be no assurance that the industry in which we operate and/or our Group will not experience negative publicity in the future or that such negative publicity will not have a material adverse effect on our business, reputation, results of operations, financial condition or prospects. This may result in our inability to attract or retain customers and in turn may negatively affect our business and results of operations.

Our insurance coverage may be inadequate to protect us from all potential losses

Our insurance coverage may not adequately protect us from the key risks associated with our business. During the course of our operations, we may face various claims and disputes from third parties including our customers or our suppliers against liabilities that are not covered under our existing insurance policies. With respect to losses which are covered, we may also not be able to fully recover the full amount of losses incurred from the insurers.

There is also no assurance that we will be able to continue to maintain our existing insurance coverage or obtain insurance policies on acceptable terms or at acceptable premiums. In the event our insurance coverage is insufficient to indemnify us against all possible liabilities or losses arising from our business operations, our business, financial condition and operating results may be adversely affected. Please refer to the paragraph headed "Business — Insurance" in this prospectus for more information on our existing insurance policies.

Any significant increases in insurance premiums that we have to pay, whether due to an increase in the number of claims made by us or due to an industry-wide price increase, may also adversely affect our results of operations in the event we are unable to pass such premium increases on to our customers.

In addition, our motor vehicle leasing business is susceptible to the risks of damage to or losses of our motor vehicle rental fleet due to instances of accidents or theft, for which our customers may be responsible. Even if our customers are responsible for paying compensation in such instances, our customers may be unable to pay us compensation in a timely manner, or at all. Our existing insurance may also be insufficient to cover such claims. Further, a delay in pursuing and settling our claims may give rise to an increase in claim-related costs and a deterioration of our motor vehicle rental fleet, which may in turn adversely affect our business, financial condition and results of operation.

We may be unable to adequately protect or enforce our intellectual property rights

We believe that establishing a strong brand reputation is important to our success. If we fail to protect the intellectual property rights in our trademarks and brand, other parties may be able to compete against us using the same logo or a name similar to ours, may seek to leverage off our brand unfairly, or may seek to use identical or similar logos, trademarks and signs to mislead consumers into believing that there is an association or connection with us and thereby damage our reputation or usurp our goodwill.

Our Directors believe that our two trademarks registered in Singapore and two trademarks registered in Hong Kong are material to our Group. For further details, please refer to the paragraph headed "Statutory and General Information — Further Information About Our Company and its Subsidiaries — 8. Intellectual property rights of our Group" in Appendix IV to this prospectus.

Although we have taken steps to protect our trademarks by registering and/or applying for the registration of our trademarks in Singapore and Hong Kong, there can be no guarantee that any steps we take to protect the intellectual property rights in the trademarks we currently own or may have in the future will be adequate or sufficient. For example, it may be possible for third parties to unlawfully pass-off our trademarks as theirs or to indicate some connection or association in the course of trade between us and them, when in fact there is none, or to infringe on our registered trademarks. Any such infringement and unlawful or unauthorised use of our trade marks (or trade marks similar to ours) could adversely affect our business, reputation, results of operations, financial condition or prospects. In addition, we may unknowingly infringe on the intellectual property rights of third parties.

Further, legal proceedings taken to enforce our intellectual property rights or to defend against any infringement claims made against us could be costly and divert the attention of our management and staff away from the day-to-day operations. There is also the risk of losing our rights to our trade marks in question as a result of such legal proceedings and this may result in the interruption or cessation of our business.

Finally, the validity of our trademarks and domain names is subject to periodic renewals and there is no guarantee that our trademarks and/or domain names will be successfully renewed each time. In addition, we may be unable to prevent third parties from acquiring and using our trade mark and/or domain names, or trademarks and/or domains names that infringe or otherwise diminish the value of our existing trademarks and domains names, in Singapore and/or other countries. A failure to renew our trademarks and domain names or an inability to register relevant trademarks and/or domain names that may become relevant to our business in the future could adversely affect our business and make our websites more difficult to locate and/or access. This could also have a material adverse effect on our business, reputation, results of operations, financial condition or prospects.

We are exposed to risks arising from fluctuations of exchange rates

Our business is exposed to certain foreign exchange risks as we also source our suppliers through overseas suppliers and payment for such motor vehicles are denominated in foreign currencies such as JPY, Euro and GBP, etc., whilst our sales and revenue are primarily denominated in SGD. To the extent that our Group's sales and purchases and operating costs are not denominated in the same currency and to the extent that there are timing differences between invoicing and collections/payment to suppliers, we may be exposed to foreign currency exchange gains or losses arising from transactions in currencies other than our reporting currency, namely SGD. There is no assurance that we will be able to successfully manage our foreign exchange risks and any significant adverse foreign currency fluctuations may adversely affect our financial position and results of operations.

RISKS RELATING TO THE MOTOR VEHICLES INDUSTRY IN SINGAPORE

We may be affected by measures taken by the Singapore government in relation to motor vehicle ownership

Due to the limited geographic land area and high population density in Singapore, the Singapore government may take measures to restrict motor vehicle population in Singapore. Any measures taken by the Singapore government, such as limiting motor vehicle ownership and reducing motor vehicle affordability, are likely to lead to less demand for motor vehicles and have an impact on our motor vehicle sales.

The VQS is a key part of Singapore's approach in dealing with congestion. Under the VQS, anyone who wishes to register a new motor vehicle in Singapore must first obtain a COE in the appropriate category. In addition to a basic registration fee payable upon registration of a motor vehicle, the LTA imposes a tiered ARF component. The measures in relation to VQS, VES, COE and tiered ARF structure will have an impact on the cost of motor vehicle ownership which will in turn affect our sales and revenue.

Furthermore, in February 2013, the Singapore government re-introduced financing restrictions on motor vehicle loans for private motor vehicles to moderate the demand for private motor vehicles and alleviate inflationary pressures. Although these restrictions were eased in May 2016, there is no assurance that such rules on motor vehicle loans will not be tightened in the future. It is noted that the Singapore government encourages financial prudence in motor vehicles purchases and supports efforts to promote a "car-lite society". In view of the motor vehicle financing restrictions and their impact on motor vehicle affordability, in the event purchasers are unable to obtain adequate financing to fund their purchases of motor vehicles as a result of more stringent motor vehicle loan rules, our sales of motor vehicles and profitability may be adversely affected.

For further details, please refer to the section headed "Regulatory Overview" in this prospectus.

We operate in a highly competitive industry where we face competition from both authorised dealers and parallel-import motor vehicle dealers

We face competition from authorised dealers as well as other parallel-import motor vehicle dealers in our motor vehicle sales business. For the detailed analysis of the competitive dynamics between authorised dealers and parallel-importers, please refer to the section headed "Industry Overview" in this prospectus. According to the CIC Report, authorised dealers account for approximately 76.7% of the market in terms of sales volume in 2017. Further, 4 out of 5 top motor vehicle dealers by sales volume in 2017 are authorised dealers which are listed companies or subsidiaries of listed companies. In this regard, authorised dealers may enjoy certain advantages as compared to parallel-import motor vehicle dealers. These advantages could include, *inter alia*: (i) prime locations of their showrooms at the automotive car belts in Singapore; (ii) good after-sales services with direct access to manufacturers for original spare parts and technical queries as well as favourable warranty terms direct from the manufacturer; and (iii) their financial strength arising from being part of a listed group. The parallel-import motor vehicle dealer market on the other hand is rather fragmented with over 200 players with differing attributes and business plans. Some of these other parallel-import dealers may have better access to financing, stronger customer base, longer operating track record or other advantages as compared to our Group.

Our margins from the sales of parallel-import motor vehicles may be affected by the pricing strategies of other motor vehicle dealers, both authorised dealers or parallel import dealers, who may carry out price reduction activities or be able to charge lower prices due to their own cost structures. In the event we are unable to procure a certain brand, model, colour or type of motor vehicle that is in high demand which could otherwise be obtained from our competitors, or if we are generally unable to maintain our competitiveness in motor vehicle industry, we may lose market share in the industry, thereby resulting in a loss of revenue and our business, reputation, financial condition and results of operations may be adversely affected.

With respect to our business of providing motor vehicle financing services, we also face competition from other hire purchase financiers such as banks and financial institutions. In the event we are unable to offer competitive financing terms, our potential customers may choose to obtain motor vehicle financing services from other hire purchase financiers.

Our sales of motor vehicles are dependent on market demand in Singapore

Our sales of motor vehicles are dependent on overall market demand for motor vehicles in Singapore, which could be affected by various factors, including macroeconomic conditions, household income level, availability of funding channels and changing consumer patterns.

For instance, as described in the above paragraph headed "We may be affected by measures taken by the Singapore government in relation to motor vehicle ownership", policy measures such as the reduction of the vehicle growth rate, imposition of ARF and restrictions on motor vehicle financing have the effect of increasing the cost of motor vehicle ownership and reducing motor vehicle affordability, thereby lowering market demand for motor vehicles and, in turn, our sales and revenue.

Given that our motor vehicle sales business focuses on the retail segment and that motor vehicles are generally regarded as big-ticket purchases which are also dependent on consumers' preferences, demand for our motor vehicles may also be particularly sensitive to any weaknesses in the global economy and/or Singapore economy.

We may incur significant compliance costs due to introduction of new and/or amended laws and regulations of Singapore

Our business operations in the motor vehicle industry are subject to the laws and regulations of Singapore. For further details, please refer to the section headed "Regulatory Overview" in this prospectus.

In addition, if such laws and regulations are amended or government policies are introduced, resulting in new or more stringent requirements being imposed on us, we may incur significantly additional costs and expenses and may have to allocate additional resources to comply with such requirements. Any resultant changes to our business practices or increased costs of compliance may materially and adversely affect our business, financial condition, results of operations and/or prospects.

We may be affected by terrorist attacks and other acts of violence, wars, or outbreaks of diseases

Any occurrence of terrorist attacks, acts of violence and/or wars may lead to uncertainties in the economies of the countries in which we or our suppliers operate. All these could have a negative impact on the demand for our motor vehicles, and our business, financial position and results of operations.

Furthermore, an outbreak of infectious diseases in Singapore may adversely affect our business, financial position and results of operations. If an outbreak of infectious diseases occurs in Singapore, consumer sentiment and spending could be adversely affected and this may have a negative impact on our business, financial position and results of operations. Our staff and employees may also be affected by any outbreak of such infectious diseases and this may affect our day-to-day operations.

RISKS RELATING TO THE SHARE OFFER

Our shareholders may experience difficulties in protecting their interests because our Company is incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority Shareholders than the laws of Hong Kong

Our corporate affairs are governed by our memorandum of association and articles of association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Such differences could mean that the minority Shareholders could have different protections than they would have under the laws of Hong Kong. For more details, please see the section headed "Summary of the Constitution of the Company and Cayman Company Law" in this prospectus.

There is no assurance of liquidity of our Shares and the price and/or trading volume of our Shares may be volatile

Prior to the Share Offer, there has been no public market for the Shares. The Offer Price has been determined through negotiation between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the final Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Share Offer. Following the Listing, there is no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Share Offer, or that the trading price of the Shares will not decline below the Offer Price. In addition, investors may not be able to sell their Shares at or above the Offer Price.

The pricing/or and trading volume of the Shares may be volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among others, which may be beyond the control of our Group:

- actual or anticipated fluctuations in our results of operations;
- changes in investors' perception of our Group and the investment environment generally;
- changes in the analysis and recommendations of financial analysts;
- addition or departure of key management;
- changes in pricing made by us or our competitors;
- changes in market valuations and share prices of companies that are listed in Hong Kong with businesses similar to that of our Company;
- the liquidity of the market for the Shares;

- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- our ability to successfully implement our future plans and business strategies;
- fluctuations of exchange rates;
- involvement in potential litigation or regulatory investigations and proceedings;
- general changes and/or developments in rules or regulations with regards to the Singapore motor vehicles industry that our Group operates in, including those that affect the demand for our services as a one-stop hub for motor vehicles;
- changes in conditions affecting the motor vehicles industry, the general economic conditions or stock market sentiments or other events or factors.

Furthermore, the stock market of Hong Kong generally has experienced price and volume fluctuations.

Future availability of substantial amounts of the Shares in the public market may adversely affect the prevailing market price of the Shares and our Group's ability to raise further capital and may dilute our Shareholders' interest

Except pursuant to the Share Offer, the Capitalisation Issue and the Share Option Scheme, our Company has undertaken to the Sole Sponsor, Joint Bookrunners, Joint Lead Managers and the Underwriters not to issue any of the Shares or securities convertible into or exchangeable for the Shares within six months from the Listing Date without the prior written consent of the Sole Sponsor, Joint Bookrunners, Joint Lead Managers and the Underwriters. Further, the Shares held by our Controlling Shareholders are subject to certain lock-up undertakings in respect of their Shares in our Company. Please refer to the section headed "Underwriting" in this prospectus for a more detailed discussion of restrictions that may apply to future issuances and sales of the Shares.

After these restrictions lapse, the market price of the Shares may decline as a result of the issue of additional Shares upon exercise of options to be granted under the Share Option Scheme, the future issuance of the new Shares or other securities relating to the Shares (which we may do so if we need to raise additional funds in the future to finance further expansion of our business), sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, or the perception that such issuances or sales may occur. Such decline in the market price of the Shares may also materially and adversely affect our Group's ability to raise capital in the future at a time and at a price we deem appropriate. Where additional funds are raised through the issuance of new Shares or equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage of ownership of such Shareholders in our Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

The interests of our Controlling Shareholders may not always coincide with the interests of our Company's public shareholders

Immediately upon completion of the Share Offer, our Controlling Shareholders will own approximately 67.3% of our enlarged share capital. Therefore, our Controlling Shareholders will be able to exercise substantial control or influence over our business by directly or indirectly voting at shareholders' meetings in matters that are significant to us and our public Shareholders. For example, they may perform significant corporate actions, influence our Board composition and affect the issue of dividends. Our Controlling Shareholders may take actions, and exercise influence that favours their interests over the interests of us or our public shareholders. We cannot assure you that our Controlling Shareholders will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that conflict with the best interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with our and/or your interests, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with our and/or your interests, Shareholders, including you, may be disadvantaged as a result.

Termination of the Underwriting Agreements

Prospective investors should note that the Underwriters are entitled to terminate their obligations under the Public Offer Underwriting Agreements by giving written notice by the Joint Bookrunners (for themselves and on behalf of the Underwriters) to our Company (for ourselves and on behalf of the Selling Shareholder) upon the occurrence of any of the events stated in the paragraph headed "Underwriting — Public Offer Underwriting Arrangements — Grounds for termination" in this prospectus at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flooding, hurricanes, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lockouts. Should the Joint Bookrunners (for themselves and on behalf of the Underwriters) exercise their rights and terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

We may not be able to pay dividends to our Shareholders

The declaration and payment of future dividends will depend on our dividend policy, results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors. We may be unable to record profits and have sufficient funds above our funding requirements, other obligations and business plans to declare dividends to our Shareholders. As such, there is no assurance that dividend distributions will be made by our Company in the future.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Investors should not place undue reliance on facts, statistics and data contained in this prospectus relating to the economies and our industry

Certain facts, forecasts, statistics and data in this prospectus are derived from various sources including various official government sources that our Company believes to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such statistics and information is false or misleading or that any fact has been omitted that would render such information false or misleading. Whilst our Directors have taken reasonable care in extracting and reproducing the information, they have not been prepared or independently verified by our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters or any of their respective directors, affiliates or advisers or any other party involved in the Share Offer. Therefore none of them makes any representation as to the accuracy or completeness of these facts, statistics and data and such facts, statistics and data should not be unduly relied on. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

Investors should read the prospectus in its entirety and are cautioned not to place undue reliance on and information contained in press articles or media regarding our Group or the Share Offer

There may be press and media coverage regarding our Group or the Share Offer which may include certain events, financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any other information not contained in this prospectus. We do not accept any responsibility for any such press or media coverage and we make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

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

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "aim", "anticipate", "believe", "consider", "continue", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would", "wish" or similar terms. Those statements include, among other things, the discussion of our Group's growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect.

The uncertainties in this regard include, but are not limited to, those identified in this section, of which are not within our Group's control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed "Forward-looking Statements" in this prospectus for further details.

In preparation for the Listing, our Company has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

1. MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. The core business and operations of our Company are primarily located, managed and conducted in Singapore. Our assets are located in Singapore. All of our Executive Directors are ordinarily based in Singapore and our Company does not and, in the foreseeable future, will not have any management presence in Hong Kong.

In view of that, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the compliance with Rule 8.12 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange and ensure that our Group comply with the Listing Rules at all times. The two authorised representatives are Mr. Vincent Tan and Mr. Lui Wai Sing. Mr. Lui Wai Sing is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange. Mr. Lui Wai Sing, the company secretary of our Company, has also been authorised to accept service of process and notices in Hong Kong on behalf of our Company;

(b) each of the authorised representatives has means to contact all members of our Board and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance the communication between the Stock Exchange, our authorised representatives and our Directors, we will implement a policy that (i) each Director will have to provide their respective office phone numbers, mobile phone numbers, residential phone numbers, fax numbers and email addresses (if applicable) to our authorised representatives and his/her respective alternates; and (ii) in the event that a Director expects to travel and be out of office, he/she will endeavour to provide the phone number of the place of his/her accommodation to our authorised representatives or maintain an open line of communication via his/her telephone;

(c) in addition, all Directors will provide their mobile phone numbers, residential phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange to ensure that they will be readily contactable when necessary to deal promptly with enquiries from the Stock Exchange; and

(d) furthermore, all Directors have confirmed that they possess valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable notice.

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Titan Financial Services Limited as the compliance adviser to act as the additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

THE PUBLIC OFFER AND THIS PROSPECTUS

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The Public Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by our Company, our Directors, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s), any of their respective directors, officers, agents, employees or advisers or any other party involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

SELLING SHAREHOLDER

The Share Offer consists of 20,000,000 Sale Shares being sold by the Selling Shareholder. We estimate that the net proceeds to the Selling Shareholder from the sales of the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by the Selling Shareholder in relation to the Share Offer and assuming an Offer Price of HK$0.45 (being the mid-point of the Offer Price range of HK$0.43 to HK$0.47 per Offer Share) will be approximately HK$8.5 million. We will not receive any of the proceeds from the sales of the Sale Shares.

Details of the Selling Shareholder are set out in the paragraph headed "Statutory and General Information — 24. Particulars of the Selling Shareholder" in Appendix IV to this prospectus.

UNDERWRITING

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement on a conditional basis. The Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder). The Share Offer is managed by the Joint Bookrunners.

If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and behalf of the Underwriters) on or before the Price Determination Date, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangement, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALES OF THE OFFER SHARES

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the Application Forms, and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and the related Application Forms may not be used for the purpose of, and do not constitute, an offer or invitation, nor are they calculated to invite or solicit

offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the Application Forms, and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the U.S., except in compliance with the relevant laws and regulations of each of such jurisdiction.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by us, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer.

This prospectus and any other materials relating to the Offer Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore pursuant to the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**"). Accordingly, this prospectus and any other prospectus or materials in connection with the offer or sale, or invitation for subscription or purchase, of Offer Shares, may not be issued, circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with, the conditions of an exemption invoked under any provision of Subdivision (4) of Division 1 of Part XIII of the SFA.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme).

No part of our Shares or loan capital of our Company is listed or dealt in on any other stock exchange and, at present, no such listing or permission to deal is being or is proposed to be sought on any other stock exchange in the near future.

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. Accordingly, a total of 225,000,000 Offer Shares, which represent 25% of the enlarged issued share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme) will be made available under the Share Offer.

Under section 44B(1) of the Companies (Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

ELIGIBILITY FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing, purchasing, holding, disposing or dealing in the Shares. It is emphasised that none of our Company, our Directors, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other party involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription, purchase, holding, disposal or dealing of Shares, or the exercise of any rights in relation to the Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our Cayman Island share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands, and our Hong Kong branch register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on the Stock Exchange unless the Stock Exchange otherwise agree. Dealings in our Shares registered at our branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

No stamp duty is payable by applicants in the Share Offer.

Unless our Company determines otherwise, dividends payable in HK$ in respect of the Shares will be paid by cheque sent at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out under the section headed "How to Apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out under the section headed "Structure and Conditions of the Share Offer" in this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, 28 February 2019. The Shares will be traded in board lots of 5,000 Shares each. The stock code of the Shares will be 1872.

ROUNDING

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

LANGUAGE

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

TRANSLATIONS

Unless otherwise specified, amounts denominated in S$ and US$ have been translated, for the purpose of illustration only, into HK$ (or vice versa) in this prospectus at the following exchange rates:

S$1.00 : HK$5.8
US$1.00 : HK$7.8

No representation is made that any S$ or US$ amounts were or could have been or could be converted into HK$, at such rate or any other rate on any date.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Tan Shuay Tarng Vincent (陳率堂先生)	9 Ardmore Park #26-01 Singapore 259955	Singaporean
Ms. Ng Hui Bin Audrey (黃慧敏女士)	49 Hindhede Walk #05-11 Springdale Singapore 587976	Singaporean
Mr. Khung Poh Sun (康寶山先生)	10B Boon Tiong Road #16-531 Singapore 164010	Singaporean
Non-Executive Director		
Mr. Raymond Wong (王滋寬先生)	19 Balmoral Road #03-03 Singapore 259804	Singaporean
Independent Non-Executive Directors		
Mr. Chow Wing Tung (周永東先生)	Flat A, 9/F, Perfetto Senso 100 Castle Peak Road Hong Kong Garden Tsing Lung Tau Tsuen Wan, New Territories Hong Kong	Chinese
Mr. Hui Yan Kit (許人傑先生)	Flat B, 20/F, Block 5 Parc Royale Shatin, New Territories Hong Kong	Chinese
Mr. Tam Yat Kin Ken (譚日健先生)	Flat F, 36/F, Tower 3 Sorrento 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese

Further information is disclosed in the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**Titan Financial Services Limited** *A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO* Suites 3201–02, 32/F COSCO Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	**Titan Financial Services Limited** *A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO* Suites 3201–02, 32/F COSCO Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong **Great Roc Capital Securities Limited** *A corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO* 44/F Convention Plaza Office Tower 1 Harbour Road Wan Chai Hong Kong

Public Offer Underwriters

Titan Financial Services Limited
A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Suites 3201–02, 32/F
COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

Great Roc Capital Securities Limited
A corporation licensed to carry out Type 1 (dealing in securities) and Type 4(advising on securities) regulated activities under the SFO
44/F Convention Plaza Office Tower
1 Harbour Road
Wan Chai
Hong Kong

Legal advisers to our Company

As to Hong Kong law:
Robertsons
57th Floor, The Center
99 Queen's Road Central
Hong Kong

As to Singapore law:
Rajah & Tann Singapore LLP
9 Battery Road
#25–01
Singapore 049910

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Bird & Bird** 4/F Three Pacific Place 1 Queen's Road East Hong Kong
Auditor and reporting accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong
Independent industry consultant	**China Insights Consultancy Limited** 10/F, Tomorrow Square 399 West Nanjing Road Huangpu District Shanghai, China 200003
Receiving bank	**Standard Chartered Bank (Hong Kong) Limited** 15/F, Standard Chartered Tower 388 Kwun Tong Road Hong Kong

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of Business in Singapore	1 Chang Charn Road #05-02, OC Building Singapore 159630
Principal place of business in Hong Kong	Room 5705, 57/F, The Center 99 Queen's Road Central Hong Kong
Company's website	***www.guanchaoholdingsltd.com*** *(Note: The contents in the website of our Company do not form part of this prospectus)*
Company secretary	Mr. Lui Wai Sing, *HKICPA* Flat 09, 26/F Ko Ki Hse Ko Cheung Court Yau Tong Kowloon Hong Kong
Authorised representatives	Mr. Tan Shuay Tarng Vincent 9 Ardmore Park #26-01 Singapore 259955 Mr. Lui Wai Sing Flat 09, 26/F Ko Ki Hse Ko Cheung Court Yau Tong Kowloon Hong Kong
Compliance officer	Mr. Tan Shuay Tarng Vincent

Audit Committee	Mr. Chow Wing Tung *(Chairman)* Mr. Tam Yat Kin Ken Mr. Hui Yan Kit
Remuneration Committee	Mr. Hui Yan Kit *(Chairman)* Mr. Tam Yat Kin Ken Mr. Chow Wing Tung
Nomination Committee	Mr. Tam Yat Kin Ken *(Chairman)* Mr. Chow Wing Tung Mr. Hui Yan Kit
Compliance adviser	**Titan Financial Services Limited** *A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO* Suites 3201-02, 32/F COSCO Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong
Principal share registrar and transfer office in the Cayman Islands	**Conyers Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	**United Overseas Bank Limited** 80 Raffles Place UOB Plaza Singapore 048624 **Malayan Banking Berhad** 200 Jalan Sultan #05-03 Textile Centre Singapore 199018

Unless otherwise indicated, the information presented in this section is derived from the CIC Report prepared by CIC, which was commissioned by us and is prepared primarily as a market research tool intended to reflect estimates of market conditions based on publicly available resources and trade union surveys. References to CIC should not be considered as its opinion as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information and statistics are appropriate sources for such information and statistics. Our Directors have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information prepared by CIC and set out in this Industry Overview has not been independently verified by our Group, the Selling Shareholder, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer or their respective directors, officers, employees, advisers and agents, and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

We have commissioned CIC, an independent third party, to conduct an analysis of, and to report on the motor vehicles market in Singapore. The report has been prepared by CIC independently. We paid CIC a fee of US$110,500 (equivalent to approximately HK$862,000) for the preparation of the report, which we consider in line with market rates. The CIC Report was undertaken through both primary and secondary research approaches. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analysing data from various publicly available data sources.

The market projections were obtained from historical data analysis as well as underlying market drivers. In preparing the CIC Report, CIC has adopted the following key assumptions: (i) Singapore's economy and industry specific development are likely to maintain a steady growth trend throughout the next few years; (ii) relevant key industry drivers are likely to continue to influence in Singapore's motor vehicles market during the forecast period; and (iii) there is no extreme force majeure or set of industry regulations in which the market may be affected either dramatically or fundamentally.

Except as otherwise noted, all the data and forecast in this section are derived from the CIC Report. Our Directors confirm that, after taking reasonable enquiries, there is no adverse change in the market information since the date of the CIC Report, which may qualify, contradict or have an impact on the information as disclosed in this section.

SINGAPORE'S MOTOR VEHICLES MARKET OVERVIEW

Overview

Singapore has become one of the largest motor vehicles markets in Southeast Asia. According to the OICA, there were approximately 110,907 new motor vehicles sold in 2017 in Singapore, compared with approximately 37,200 units sold in 2012, representing a CAGR of 24.4%, which is much higher than the CAGR of negative 1.2% for the overall Southeast Asia market during the corresponding period.

The LTA is a statutory board under the Singapore Ministry of Transport, which plans, builds and maintains Singapore's land transport infrastructure and systems. All motor vehicles in Singapore must be registered with the LTA. Given the stiff challenges posed by Singapore's limited land supply and increasing vehicle ownership, the LTA has initiated the VQS and the COEs system to limit the growth of vehicle population. Car owners who wish to register a new vehicle in Singapore must first obtain a COE.

COEs quota system in Singapore

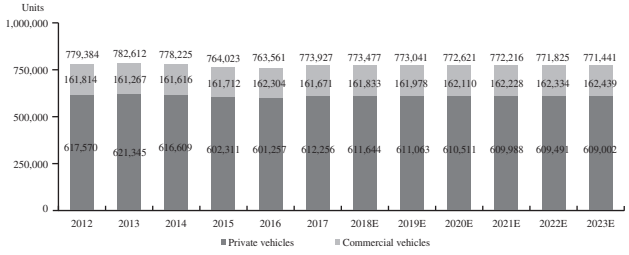
In Singapore, a COE is required for the registration of a new motor vehicle in the appropriate motor vehicle category which represents the motor vehicle ownership and the right to use of the limited road space in Singapore for a 10-years period of time. At the end of the 10-year COE period, car owners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

prevailing quota premium. Car owners are also allowed to deregister their COEs before the 10-year period expire and will receive a monetary rebate. According to the LTA, the monthly COEs quota is calculated by summing up (i) the allowed annual net increase in vehicle population; (ii) the replacement of deregistered vehicles; and (iii) adjustments to account for changes in taxi population, past over-projections, expired or cancelled temporary COEs. Given the allowed annual net increase rate in motor vehicle population is kept at a fixed rate, and the adjustments remain comparatively stable every month, the replacement of deregistered vehicles influences the COEs quotas significantly. The total number of registered private motor vehicles is resulted from the number of newly registered motor vehicles minus the number of deregistered motor vehicles. There are five categories of COEs in Singapore, namely from Category A to Category E, classified by different engine capacity and general use of the motor vehicle. Private vehicles usually fall into Category A and Category B, while commercial vehicles are classified into Category C. Category E is open to all kinds of motor vehicles and would be transferred to corresponding category when being used.

Population of motor vehicles in Singapore

Motor vehicles, based on different types can be classified into private vehicles and commercial vehicles. The population of private motor vehicles in Singapore has started to decline from the peak in 2013 due to the combination effect of more aged motor vehicles has been deregistered while the number of newly registered motor vehicles was lesser. The total population of the motor vehicles in Singapore remains relatively stable.

Motor vehicles population by types in Singapore, 2012-2023E

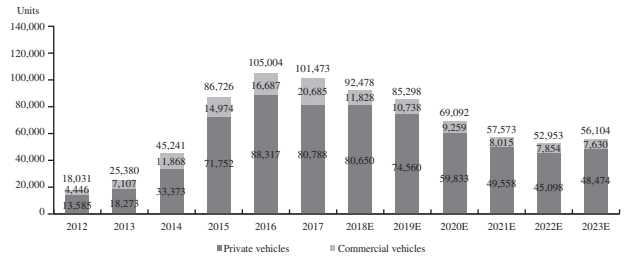


Source: the LTA of Singapore, the CIC Report

Trend of COEs

With the COEs of the motor vehicles which were bought during the past decade have reached their 10-year expiring period, the number of private vehicles taken off the road has been significantly increased during the past six years. The de-registration number of private vehicles having increased from 13,585 units in 2012 to 80,788 units in 2017, representing a CAGR of 42.8%. By the end of 2017, the number of private vehicles having an age between 5 and 10 years stood at 251,764 units, which was approximately 3.1 times the number of motor vehicles de-registered in 2017 and hence will be translated to a growth in motor vehicle replacement demand. The de-registration of commercial vehicles increased from 4,446 units in 2012 to 20,685 units in 2017, which represents a CAGR of 36.0%. By the end of 2017, the number of commercial vehicles having an age between 5 to 10 years stood at approximately 33,082 units, which was approximately 1.6 times the number of motor vehicles de-registered in 2017.

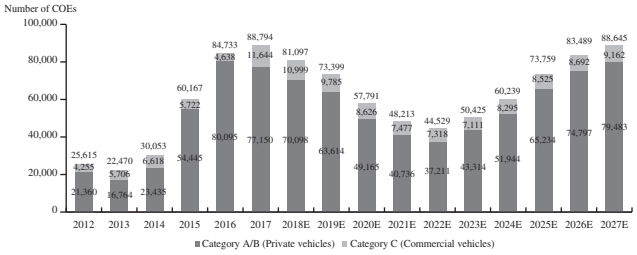
De-registration of motor vehicles, Singapore, 2012–2023E



Source: the LTA of Singapore, the CIC Report

Driven by increasing numbers of motor vehicle replacement, COEs quota experienced a surge between 2014 and 2017, especially in terms of private vehicles. As the number of aging motor vehicles which need to be de-registered and replaced is expected to drop gradually from 2018, the projection of COEs quota for motor vehicles will reduce accordingly during 2018 to 2022. Nonetheless, due to the 10-year validity period cycle, the number of COEs quota is expected to gradually increase again since 2023. The COEs quota for commercial vehicles will keep a consistent trend with that of private vehicles. Meanwhile, due to the expiry of ETS on 31 July 2017, an enhanced scheme has been implemented covering 1 August 2017 to 31 July 2019 which will provide incentives for the owners of Category C diesel vehicles with Euro 2 or Euro 3 emission standards to turn to Euro 6 (or equivalent) vehicles. With the implementation of the enhanced scheme, the COEs quota for Category C, which is mainly for commercial vehicles, hit a record high in 2017.

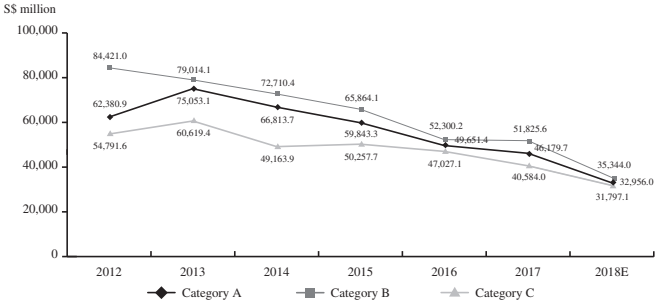
COE quota allocation by vehicle type, Singapore, 2012–2027E



Source: the LTA of Singapore, the CIC Report

The COE premium is the price of COEs, which is mainly affected by the vehicle purchasing demands and the supply of COEs. The COE premium for all categories rose rapidly between 2011 and 2013 when the LTA of Singapore announced a reduction in the supply of COEs. All categories of COE premium started to decline since 2014 onwards as the LTA of Singapore increased the COEs supply in support of motor vehicle replacements. The decline in COE premium led to a higher market demand and increased the quantity of motor vehicles sold from 2014 to 2017. The number of aging motor vehicles which need to be de-registered and replaced reached the peak in 2016, intensifying the competition on COE and thus increasing COE premium in all categories to some extent. Meanwhile, the anticipated implementation of VES in January 2018 also stimulated the demand of cars for category A and B, leading to the increase of COE premium to a high point in November 2017. However, after November 2017, the COE premium for all categories showed a downward tendency, which was mainly due to (i) the number of COE bids decreased suddenly in December 2017 and stayed low by the end of December 2018 as temporarily discouraged by the implementation of VES; and (ii) due to the decrease in the competition for bidding of COEs quota since the private-hire cars companies such as Uber have quitted the Singapore market, as a result of which, the COEs bids received for Category A vehicles in 2018 was on average 11.8% lower than in 2017. Hence, COE premium further declined in 2018 as compared with 2017. Notwithstanding the above, considering the impact of tightening of COE supply will be more prominent from 2019 onwards, it is expected that COE premium will be driven up from then onwards.

COE premium by category, Singapore, 2012–2018E



Source: the LTA of Singapore, the CIC Report

Taxes and costs of owning a motor vehicle in Singapore

Currently, the taxes and costs of owning a motor vehicle in Singapore include (i) the OMV, as assessed by the custom, which takes into account the purchasing price, freight charges, other charges and will vary based on different origins and models of different motor vehicles; (ii) the GST and the excise duties, which is relatively fixed, at 20% of the OMV; (iii) the ARF, which is imposed upon the registration of a vehicle; (iv) a registration fee, which is fixed at S$140 per motor vehicle; (v) the COE premium; and (vi) other taxes and costs which include insurance premiums, road taxes and dealer's commissions, etc.

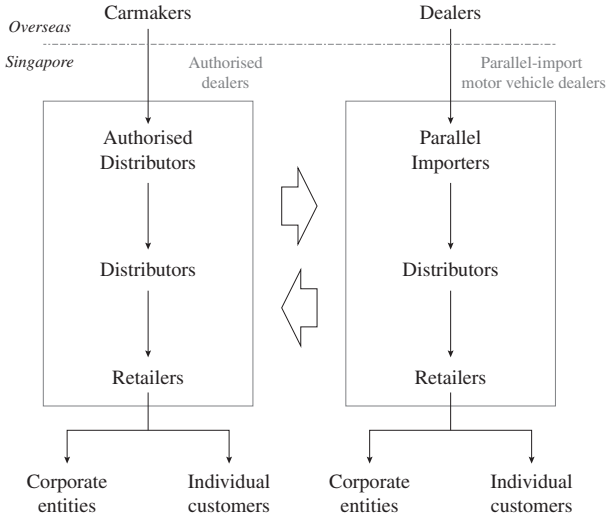
SINGAPORE'S NEW MOTOR VEHICLE DEALERSHIP MARKET OVERVIEW

Overview

The Singapore's new motor vehicles dealership market is divided by the sales of the authorised distributors and the parallel-import motor vehicle dealers. The authorised distributors generally possess exclusive distribution rights for a particular motor vehicle brand from the original manufacturer, while the parallel-import motor vehicle dealers make purchases from motor vehicle dealers or traders based in original manufacturing countries and then imported these vehicles into Singapore.

The practice of parallel importing motor vehicles is legal in Singapore. The authorised distributors or the parallel-import motor vehicle dealers then sell the motor vehicles to distributors or retailers who will encounter the downstream end customers directly. It is an industry norm that distributors or retailers might make purchases from other sub-distributors or retailers in order to make up for a deficiency when in short of supply for a particular model or colour of motor vehicles. It is a market practice in Singapore for the parallel-import motor vehicle dealers to participate in the COEs bidding on behalf of the end customers. There are only 30 to 40 parallel-import motor vehicle dealers who directly purchase from overseas dealers or traders, while others purchase from local distributors in Singapore. Among the 30 to 40 parallel-import motor vehicle dealers, there are only 10 to 20 of them who will further wholesale motor vehicles to downstream dealers or retailers.

New motor vehicle distribution in the industry chain, Singapore



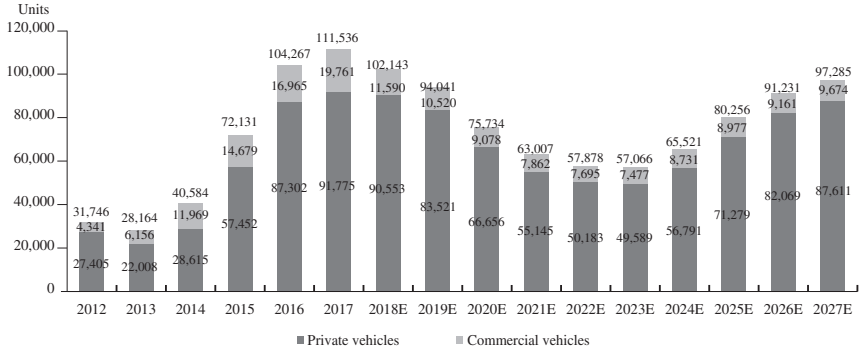
Source: the CIC Report

New motor vehicles sales and forecast in Singapore

The new motor vehicles market in Singapore is driven by the age limits placed on vehicles and the COEs system, which has a cyclical pattern due to the 10-year validity period of COEs. Due to the strict control of the motor vehicles population of the Singapore government through the VQS and COEs systems, the total number of newly-registered motor vehicles is highly correlated to the number of de-registration in Singapore. In Singapore, car owners are required to obtain registration for

purchased vehicles, thus the number of new motor vehicle registration is equivalent to the total new motor vehicles sold. The total number of newly-registered motor vehicles declined from 31,746 units in 2012 to 28,164 units in 2013, due to the control measure taken by the LTA and started to rise gradually since 2014 and reached 111,536 units in 2017 with the increase in supply of COEs, and buyers re-entering the market for replacement of old cars. Such increase in the supply of COEs resulted in an increase in number of newly-registered motor vehicles. With the current fleet of motor vehicles being increasingly replaced with new motor vehicles, LTA had started to reduce the COE quota steadily from 2018, in order to maintain a suitable level of the population of the motor vehicles in Singapore. Due to an expected decline in number of close-to-expiring COEs, the number of new registrations for private vehicles is expected to decrease accordingly from 2018 to 2023. With motor vehicles purchased during the boom from 2014 to 2017 expecting to reach the end of their 10-year COEs validity cycle from 2024 onwards and are expected to be de-registered and replaced by then, the new motor vehicles market in Singapore is expected to start recovering in 2024.

New motor vehicle registration by vehicle type, Singapore, 2012-2027E



Source : the LTA of Singapore, the CIC Report

For private vehicles, Japanese brands, including Toyota, Honda, Nissan, and Mazda, have become increasingly popular among general consumers, especially those customers seeking motor vehicles with better fuel efficiency standards, as well as lower COE premium. Continental brands, including Mercedes Benz, BMW, have also been best sellers given their brand reputation and superior performance. The sales volume for these brands motor vehicles have been steadily increasing over the years. Any measures taken by the Singapore government in relation to the number of vehicle registrations are likely to influence the sales of new motor vehicles. However, the related government policies or regulations, such as the enhanced ETS and VES, may affect the sales of particular models, rather than the overall sales of the brands as the policies regulate mainly about the emission standard.

Top 10 best-selling vehicle brands of new motor vehicles, Singapore, 2017

Rank	Brand	Sales volume of new motor vehicles (units)	Market share of total newly-registered motor vehicles (%)
1	Toyota	26,111	23.4
2	Honda	16,013	14.4
3	Nissan	11,117	10.0
4	Mazda	8,509	7.6
5	Mercedes Benz	8,355	7.5
6	Mitsubishi	5,810	5.2
7	BMW	5,591	5.0
8	Kia	3,954	3.5
9	Hyundai	3,856	3.5
10	Subaru	3,239	2.9

Source : the LTA of Singapore, the CIC Report

Motor vehicle dealership market size and forecast for new motor vehicles

The new vehicle sales value of dealers in Singapore increased significantly from S$6,798 million in 2012 to S$14,861 million in 2017 as a result of the increase in supply of COEs during the period. Owing to the expected reduction in COE supply from 2018 onwards, it is estimated that the motor vehicle dealership market sales value will gradually decrease and will recover again in 2024. In particular, the new motor vehicle sales value of parallel-import motor vehicle dealers will decrease at a CAGR of 8.0% from 2017 and 2023 and it is projected to increase at a CAGR of 15.2% from 2023 to 2027.

As compared with the motor vehicles sold by the authorised dealers, the motor vehicles sold by parallel-import motor vehicles dealers are usually: (i) of lower price; (ii) the workmanship is generally of a higher standard, therefore, people will prefer to choose to purchase from parallel-import motor vehicles dealers. The percentage of new motor vehicles sold by parallel-import motor vehicle dealers to the total new motor vehicle sales value of dealers increased from 8.0% in 2012 to 23.3% in 2017, and the new motor vehicle sales value of parallel-import motor vehicle dealers increased at a CAGR of 44.8% from 2012 to 2017.

The average selling price of new motor vehicles for both parallel-import motor vehicle dealers and authorised dealers is affected by a number of factors such as the popularity of different models, COE premium, etc. Due to the relatively lower COE premium in the past few years, there had been a slight decrease in the average selling price of new motor vehicles. In 2018, the COE premium had generally decreased due to a lower market demand as temporarily discouraged by the implementation of VES. However, the average selling price of new motor vehicles is expected to slightly rise at a pace of approximately 3% to 5% annually from 2019 onwards due to the expected increase in COE premium driven up by the tightening of COE quota from 2018 onwards. The total number of new motor vehicles sold in 2016 and 2017 was approximately 104,000 units and 112,000 units, respectively. In 2016 and 2017, the average selling price of new private vehicles was approximately S$133,000 and S$144,000, respectively; and for new commercial vehicles was approximately S$93,000 and S$82,000, respectively. Generally, the average selling price for parallel-import motor vehicle dealers will be 10% to 30% lower than that of authorised dealers, which ranged from approximately S$70,000 to S$152,000.

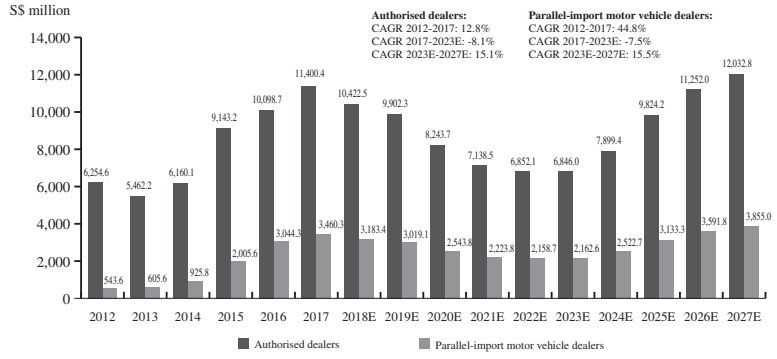
The gross profit margin of dealers who sell new motor vehicles typically ranges from 6% to 15% which is mainly dependent on the mix of vehicle brands and models they sell. Premium and luxury brands or models of motor vehicles can generally be sold at a higher gross profit margin while Japanese brands are generally sold at a lower gross profit margin as compared with European brands. The gross profit margin for premium models and models of lower end ranges from approximately 9% to 15% and from 6% to 12%, respectively. Therefore, dealers whose sales mix has a larger proportion of premium brand or models of motor vehicles such as European brands or premium models of Japanese brands tend to gain a higher gross profit margin. Some luxury vehicles can even be sold at a gross profit margin of as high as 20% which enables luxury motor vehicle specialised dealers to achieve a higher overall gross profit margin than the industry average. Moreover, top dealers often have better sales and after-sale support which enable them to derive a higher gross profit margin than other industry players.

The VES was introduced to replace the CEVS for all new cars, taxis and newly imported pre-owned cars. Motor vehicles with high carbon emissions would incur a registration surcharge. The VES has been implemented since 1 January 2018 and has not affected the motor vehicles registered before its implementation. As the VES has stricter emission standards, the rebates and surcharge of some popular vehicle models have changed significantly. For example, the previous banding of the Toyota C-HR Hybrid S stands at A1 which gave it a S$20,000 rebates but it has fallen to C1 which attracts a surcharge of S$10,000 instead upon VES's implementation. This difference in rebate/surcharge i.e. S$30,000, is significant, which is about 37.5% of its retail price of S$80,000. As a result, some customers choose to purchase these motor vehicles, which would be largely affected by the VES prior to its implementation and the sales of these motor models were boosted in the fourth quarter of 2017.

In the first half of 2018, the implementation of the VES imposed a higher registration surcharge than before, which resulted in a short-term sales reduction effect on new motor vehicles with high carbon emissions. As a consequence, COE premium generally decreased in 2018 as compared with 2017. However, as the COE quota being gradually tightened from 2018 onwards and the effect will become more prominent in 2019, the COE premium is expected to be driven up from 2019 onwards. The average selling price will also increase, especially after the sell-off of motor vehicle dealers in late 2017 to lower their inventory.

As the average selling price of the motor vehicles sold by authorised distributors is relatively higher than that of the parallel-import motor vehicle dealers, the parallel-import motor vehicle dealers are likely to maintain their competitive edge over authorised dealers in terms of price especially under circumstances of increasing trend of COE premium. Moreover, since the availability of the models sold by authorised distributors is subject to the original carmakers' export list, whereas the parallel-import motor vehicle dealers are generally not subject to such list and are able to deliver the new and popular models to meet various customers' need with a short lead time, the parallel-import motor vehicle dealers are likely to maintain their competitive edge over authorised dealers in terms of vehicle varieties in the long term as well, and the market share of parallel-import motor vehicle dealers is expected to rise steadily.

New motor vehicle sales value of dealers by business model, Singapore, 2012-2027E



Note: The sales value includes COE premium and dealer commission.

Source: the CIC Report

Future trends and opportunities for the Singapore dealership market for new motor vehicles

Demands for aging vehicle replacement will remain strong

According to the LTA, the number of motor vehicles aged between nine to ten years has increased from approximately 21,200 units in 2012 to approximately 98,300 units in 2017. Moreover, the de-registration of private vehicles rose from approximately 13,600 units in 2012 to approximately 80,800 units in 2017. It is expected that there will be approximately 337,800 private vehicles which are scheduled for de-registration during the next six year period from 2018 to 2023, a number which is approximately 10% higher than the total de-registration of private motor vehicles during the previous six year period from 2012 to 2017. In light of the above, demands for aging vehicle replacement will remain strong, notwithstanding the expected gradual reduction in COE supply from 2018 onwards.

Improving product and service offerings

In order to survive the intense competition, dealers are trying to provide diversified motor vehicle models for customers, and offer additional services such as hire purchasing, financing, insurance, after-services to facilitate the purchasing process and to meet customers' various demands.

Internet opening up new opportunities for vehicle sales

Technological tools, including the Internet and mobile internet, are expected to reshape the customer experience of vehicle purchasing process. In order to streamline operations and appeal to tech-savvy consumers, the dealers are investing in new technologies, including electronic record keeping, service check-in with tablet computers, and mobile apps for scheduling service appointments.

Supportive policies for the replacement of motor vehicles

Due to the expiry of ETS on 31 July 2017, the scheme has been extended and the enhanced scheme will run from 1 August 2017 to 31 July 2019 and will provide incentives for the owners of Category C diesel vehicles with Euro 2 or Euro 3 emission standards to turn to Euro 6 (or equivalent) vehicles. Vehicular Emissions Scheme (VES) has been introduced to replace the Carbon Emissions-Based Vehicle Scheme (CEVS) for all new cars, taxis and newly imported used cars with effect from 1 January 2018. The VES rebate or surcharge for a car or taxi is determined by its worst-performing pollutant. The rebate or surcharge will either be S$10,000 or S$20,000. This is to encourage buyers to choose models that have lower emissions across all criteria and are cleaner. The implementation of the enhanced ETS and the VES will encourage motor vehicle owners to replace motor vehicles with more environmentally-friendly and efficient models.

Competitive landscape for dealership market for new motor vehicle in Singapore

The new motor vehicle dealership market in Singapore includes the authorised dealers and the parallel-import motor vehicle dealers and is highly competitive with the top 10 motor vehicle dealers, which are all authorised dealers, accounting for 64.5% market share by sales volume. There are over 50 authorised dealers representing over 40 motor vehicle brands in Singapore. Meanwhile, there are currently 131 of sizable parallel importers, and many more smaller ones operating in Singapore, the sales volume of which accounted for approximately 23.3% in the Singapore motor vehicle dealership market in 2017 and such percentage is projected to increase in the next five years.

Key factors which affect the competitiveness of motor vehicle dealers include: (i) products and services provided by the dealers; (ii) sales and marketing strategies; and (iii) relationships with suppliers, such as whether the dealers have bargaining power over the suppliers, which will in turn affect cost and bottom line of the dealers.

The competitive dynamics between authorised dealers and parallel-import motor vehicle dealers are as follows:

(a) After-sales support offered

Authorised dealers are able to offer warranties for the motor vehicles that they sell as these warranties are typically backed up by manufacturers of certain brands, while generally, after-sales support from parallel-import motor vehicle dealers is rather limited. Nonetheless, some sizable parallel-importers are still able to offer competitive warranty services, which will be backed up by the insurance coverage arranged with the insurance companies.

Besides, authorised dealers generally operate self-owned workshops to provide after-sales services, while parallel-import motor vehicle dealers generally cooperate with independent workshops to provide such services. Dealers which possess self-owned workshops are generally more competitive than those who only cooperate with independent workshops since they could often win customers loyalty more easily and gain more profit by providing one-stop after-sales services.

(b) Variety and workmanship of motor vehicles sold

The motor vehicles sold by the authorised dealers are determined by manufacturers and are usually restricted to the sales of motor vehicle models which are contractually agreed between the authorised dealers and the manufacturers. Unlike authorised dealers, parallel-import motor vehicle dealers source their motor vehicles from all over the world and they are able to enjoy greater flexibility and diversity in the selection of motor vehicles models and are therefore more responsive to market changes. Parallel-import motor vehicle dealers are also able to assist customers in their orders for some specific motor vehicle models, such as motor vehicles of limited edition, which may not be available among local authorised dealers. As such, parallel-import motor vehicle dealers can offer a wider range of motor vehicle choices to customers than authorised dealers.

In terms of workmanship of motor vehicles, parallel-import motor vehicle dealers are able to provide better choices of the makes and models due to that they have a variety of supply channels. Parallel-import motor vehicle dealers can import motor vehicles from the country of origin, such as Japan or Germany which may possess better workmanship. Moreover, parallel-import motor vehicle

dealers can also import regional exclusive models to cater to customers' needs. On the contrary, authorised dealers usually import cars manufactured in countries with lower operational costs, such as Thailand and Malaysia, as manufacturers of the brands usually tend to set up overseas plants in those countries with lower labour and operational costs.

(c) Prices offered

The prices offered by authorised dealers are typically determined by manufacturers, while the parallel-import motor vehicle dealers have greater control throughout the entire process from sourcing to selling the motor vehicle. The parallel-import motor vehicle dealers are also able to offer more competitive prices to their customers.

(d) Sales and marketing efforts

Authorised dealers generally put more effort on sales and marketing via their fancy and centrally-located showrooms and well-experienced sales staff. Their showrooms often feature a lot of award-winning vehicles and their staff can be directly trained by vehicle manufacturers. Such effort will help authorised dealers to connect with customers and increase motor vehicle sales. Some parallel-import motor vehicle dealers, despite lacking support from vehicle manufacturers, are expanding their showrooms to central locations and continuously training their staff to compete with authorised dealers.

(e) Customer base targeted

Authorised dealers are typically selling motor vehicles to domestic retail customers, while parallel-import motor vehicle dealers are able to sell to both motor vehicle dealers as well as retail customers. As such, parallel-import motor vehicle dealers can enjoy a wider and more diversified customer base which in turn provides an additional revenue stream for the sales of motor vehicles.

(f) Additional restrictions imposed by manufacturers on authorised dealers

Authorised dealers may also be required to commit to a pre-determined amount of sales from time to time. In this regard, such requirement is likely to lead to an accumulation of stocks which will in turn increase inventory costs. By contrast, parallel-import motor vehicle dealers are usually not obliged to such commitment which allows to a greater control over inventory costs.

Our Group is a parallel-import motor vehicle dealer in Singapore. In terms of sales volumes, we sold approximately 1,514 new units in 2017 and ranked 12th among all motor vehicle dealers and ranked first among the parallel-import motor vehicle dealers in Singapore in terms of sales volume of new motor vehicles. Our Group also ranked the same in the industry in 2016. In the motor vehicle dealers industry, it is likely that by the time the motor vehicle reaches its end customer, it has already gone through more than one vehicle dealer, which indicates that the aggregated amount of motor vehicles sold by all vehicle dealers could be larger than the actual number of motor vehicles sold in the market. The aforementioned cross-sales between motor vehicle dealers make it not possible to accurately estimate the ranking of major market participants in terms of market share.

The leading market participants have shared some similarities including (i) commenced operation nearly two decades ago; (ii) provided one-stop services; (iii) achieved monthly sales volume of over 50 motor vehicles; and (iv) developed a wide business range covering motor vehicle sales and rental, motor vehicle financing and insurance services.

Top motor vehicle dealers by sales volume of new motor vehicles, Singapore, 2017

Rank	Company	Approximate sales volume of new motor vehicles (units)	Company type	Major business	Geographic coverage	Listing status
1	Company A	~14,500	Authorised dealer	Sales of new and pre-owned motor vehicles, after-sales workshop services, financial services, heavy equipment, mining, construction and energy, etc.	Singapore, Malaysia and Myanmar	A subsidiary of a listed company
2	Company B	~12,500	Authorised dealer	Sales of new and pre-owned motor vehicles, after-sales workshop services	Singapore	A subsidiary of a listed company
3	Company C	~11,600	Authorised dealer	Sales of new motor vehicles, after-sales workshop services, property rentals and development, transportation services	Singapore, the PRC, Thailand, Japan, Taiwan, etc.	Listed
4	Company D	~9,700	Authorised dealer	Sales of new and pre-owned motor vehicles, after-sales workshop services	Singapore, Indonesia, Australia, the PRC	Not listed
5	Company E	~6,400	Authorised dealer	Sales of new and pre-owned motor vehicles, after-sales workshop services, plastic products, hotels and resorts, investment holding and financial services, etc.	Singapore, Malaysia	A subsidiary of a listed company
12	Our Group	1,514	Parallel-import motor vehicle dealer	Sales of new and pre-owned motor vehicles	Singapore	

Notes:

(1) Due to cross-sales between motor vehicle dealers, it is not possible to accurately estimate the market share in percentage.

(2) After-sale workshop services refer to the in-house workshop services.

Source: the CIC Report

Barriers for entry

Capital: It takes a huge amount of upfront capital to set up a dealership, the majority of which goes to acquiring a stock of vehicles, decorating showrooms, as well as payments for COE premium. Motor vehicles can cost up to hundreds of thousands. In addition, most motor vehicle dealers will have to spend a lot of financial resources on sales and marketing to attract customers.

Industry knowhow: As obtaining the COEs is a must for motor vehicle registration in Singapore, customers may require dealers to arrange for the COEs bidding on their behalf. Some customers may also require high-quality after-sales services. On the other hand, vehicle suppliers will also impose certain requirements on the distribution competence of the dealers. Therefore, new entrants without industry knowhow may find it more difficult to get into the market.

Sourcing: Access to platforms for sourcing motor vehicles is another factor that might deter market entry for new entrants. Existing distributors have already established long-term relationships with vehicle suppliers. New entrants may also find it difficult to source motor vehicles from dealers overseas and secure a favourable price.

Intense competition: Due to strict regulation on vehicle population imposed by the LTA, many small dealers had gone out of business while only established ones benefiting from economies of scale and local reputation have survived. New entrants may find it more difficult and less profitable to enter into the market.

Threats

Government policies and regulations

As motor vehicles market is highly regulated in Singapore, the policies and regulations of the government play a significant role in the vehicle dealership market. Any measures taken by the government to limit the number of vehicle registrations, especially those measures which are likely to lead to an increase in the costs for owning and maintaining a motor vehicle are likely to affect the sales of motor vehicles. The LTA of Singapore has already announced to cut the new growth target for private motor vehicles from 0.25% to 0% effective from February 2018. Such policies and regulations will bring a negative effect to the motor vehicle dealership market in Singapore. VES was introduced to replace the CEVS for all new cars, taxis and newly imported used cars with effect from 1 January 2018. The VES rebate or surcharge for a car or taxi will be determined by its worst-performing pollutant. Vehicles with high carbon emissions would incur a registration surcharge.

Historical prices trend of dealership market for new motor vehicle in Singapore

Cost of the OMV

An OMV will vary based on a motor vehicle's origin and model, generally accounting for approximately 20%–30% of the total final vehicle price to customers. The OMVs as assessed by the Singapore customs have mainly been affected by the purchase price which is affected by the supply and demand, freight, insurance, handling and all other charges incidental to the sales and delivery of motor vehicles from the country of manufacture to Singapore.

Trend of COE premium

For trend of COE premium, please refer to the paragraph headed "Singapore's Motor Vehicles Market Overview — Trend of COEs" in this section above for details.

Foreign exchange fluctuation

The exchange rate change of the original countries could impact the sourcing cost and directly influence the final vehicle price to end customers. Due to the depreciation of Japanese yen from 2012 to 2015, Japanese motor vehicles had a lower price and were more price-competitive than European motor vehicles.

SINGAPORE PRE-OWNED VEHICLE DEALERSHIP MARKET ANALYSIS

Pre-owned motor vehicle market overview

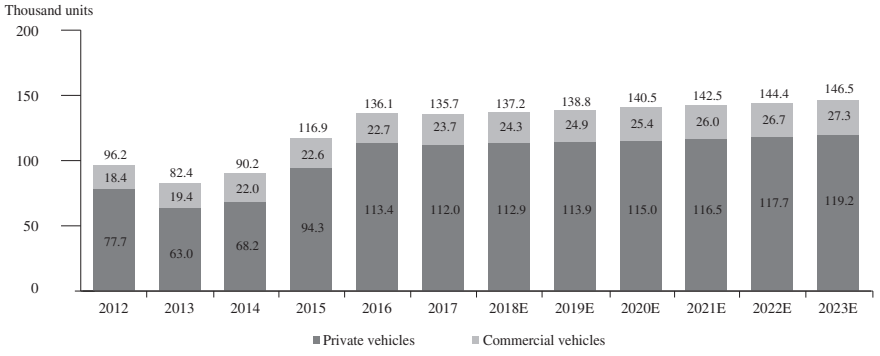
Generally, pre-owned motor vehicles in Singapore refer to second-hand motor vehicles with an unexpired COE. Purchasing a pre-owned motor vehicle is a good choice particularly when the COE quota is restricted and the COE premium is fluctuating. An increasing number of motorists in Singapore are opting to purchase six to nine year-old motor vehicles as a temporary option until COE premium fall in anticipation of higher de-registrations in the future.

The average selling price of pre-owned motor vehicles in Singapore is affected by more complex factors than that of new motor vehicles, such as the makes and models of pre-owned motor vehicles are more diverse and conditions of each pre-owned motor vehicles vary. Sometimes, the price of pre-owned motor vehicles, even of same makes and models and with similar condition can vary in a wide range. This is due to the sales price for a pre-owned motor vehicle includes not only the OMV cost, but also a fraction of the original COE premium, the PARF, and the dealer's mark-up (in the event that the motor vehicle was sold by a dealer). Therefore, the price variations often reflect the fluctuation in COE premium at the time the motor vehicle was originally registered. Generally, the tightening of COE quota from LTA is expected to drive up the price of pre-owned motor vehicles given that the demand for new motor vehicles shifts to pre-owned motor vehicles. The total number of pre-owned motor vehicles sold in 2016 and 2017 was approximately 136,000 and 136,000 units, respectively. The overall average selling price of pre-owned motor vehicles to retail customers from 2016 to 2017 ranged from approximately S$70,000 to S$100,000, while to dealers ranged from approximately S$62,000 to S$90,000. For parallel-import motor vehicle dealers, the average selling price for pre-owned vehicles to retail customers ranged from approximately S$65,000 to S$90,000, while to dealers ranged from approximately S$55,000 to S$80,000 for the same period. Such price includes COE, ARF, etc. Generally, the average selling price for parallel-import motor vehicle dealers will be 20% lower than that of authorised dealers. However, the actual selling price of pre-owned cars varies depending the different types, brands, models and conditions of the cars, as well as the bargain between the customers and dealers. It is expected that the average selling price of pre-owned motor vehicles will have a slight growth but will remain within the similar price range in the forecast years.

As compared to new motor vehicles, generally there will be no warranty offered by pre-owned motor vehicle sellers, but some pre-owned motor vehicle dealers may offer a warranty ranging from 3 months to 3 years depending on the scales and capabilities of pre-owned motor vehicle dealers.

Sales volume for pre-owned motor vehicles in Singapore kept an upward trend over the last decade. From 2007 to 2012, the sales volume had a continuous rise from approximately 38,600 units to approximately 96,200 units, representing a CAGR of 20.0%. In 2013, a slight drop occurred due to a sudden increase in the vehicle de-registration after a continuously decreasing trend, which temporarily affected the supply of pre-owned motor vehicles. However, with the development of online platforms, the sales volume returned back to the upward trend, from 2012 to 2017, having risen from approximately 96,200 units to approximately 135,700 units, representing a CAGR of 7.1%. The percentage of pre-owned motor vehicle sales volume to the total vehicle population had increased significantly from approximately 5% in 2007 to approximately 18% in 2017 given the total population of the motor vehicles in Singapore remains relatively stable. This percentage of pre-owned motor vehicle sales volume to the total vehicle population is expected to keep growing considering: (i) the historical growth momentum; (ii) the tightening of COE quota from 2018 onwards is expected to drive the price-sensitive customers to purchase the pre-owned motor vehicle instead of new ones; (iii) the rapid development of online platforms which simplifies the purchase process of the pre-owned motor vehicle and makes the information more transparent. Therefore, the sales volume for pre-owned motor vehicles is expected to keep an upward trend and further grow gradually with a CAGR of 1.3% between 2017 and 2023. Influenced by the room for profits in pre-owned motor vehicles sales and government regulation on limitation of COE quota for newly registration, the sales value of pre-owned motor vehicles for dealers in Singapore increased with a CAGR of 1.8% between 2012 and 2017, and is expected to further grow gradually with a CAGR of 1.6% between 2017 and 2023. Between 2012 and 2017, the increasing supply of pre-owned motor vehicles lowered the average market selling price of pre-owned motor vehicles, which contributed to the increased sales volume of pre-owned motor vehicles during the period with a moderated increase in the pre-owned motor vehicle sales value. As for 2017 to 2023, since the sales volume is expected to grow steadily at a moderate rate during the forecast period, the average market selling price is expected to be stable and increase in line with inflation. Therefore, the sales value is expected to grow at a moderated rate as well.

Sales volume for pre-owned motor vehicles, Singapore, 2012–2023E



Source: the LTA of Singapore, the CIC Report

Drivers for the Singapore pre-owned motor vehicle dealership market

Larger room for profit — Trading of pre-owned motor vehicles may have larger room for profit based on that the price of a pre-owned motor vehicle may be affected by different factors such as the OMV cost, the PARF, and the original COE premium, and hence the price range may vary even for the same type of motor vehicles which are of similar conditions. Such combination of factors leaves larger room for dealers with market experiences and expertise to determine the price of the specific pre-owned cars and their profit and can get better return by trading of pre-owned motor vehicles. On average, the gross profit margin for a pre-owned motor vehicle sold to retail customers ranges from 5% to 8%. The gross profit margin for a pre-owned motor vehicle sold is highly affected by its condition and popularity as well as the sales effort of a dealer. Particularly, for pre-owned motor vehicles with better condition and longer COE validity period, the gross profit margin can range from 12% to 18% and some premium European branded pre-owned motor vehicles can be sold at a gross profit margin beyond this range. Pre-owned motor vehicle dealers with a larger proportion of European branded or good condition motor vehicles sold together with better sales and after-sales support tend to gain a higher gross profit margin than other dealers. Therefore, motor vehicle dealers are willing to invest more resources into the trading of pre-owned motor vehicles.

Tightening supply of COEs — The tightening supply of COEs will increase the COE premium and hence the cost of purchasing new motor vehicles. On the contrary, pre-owned motor vehicles do not need to consider COE bidding and the COE premium which is largely dependent on the price paid by the former owner. Therefore, the demand for pre-owned motor vehicles will increase and substitute the demand for new motor vehicles when the COE quota is tightened. Customers would prefer to purchase pre-owned motor vehicles, especially those in good condition and with longer COE entitlement period, rather than purchasing new motor vehicles when the COE premium is high or fluctuating. The tightening of COEs will lead to decrease in demand for new motor vehicles and hence will stimulate and increase the sales volume of pre-owned motor vehicles.

Rapid development of online platform — Online platforms for pre-owned motor vehicles in Singapore is developing fast in recent years. Particularly, there were over three new online platforms established over the last five years. These online services simplify the purchase process of the pre-owned motor vehicles and make the market more transparent. Also, these online platforms lower the searching cost for both dealers and customers. Therefore, the pre-owned motor vehicle transaction increasingly took place over the last decade and is expected to further grow as more online platforms developing.

Competitive landscape for the Singapore pre-owned motor vehicle dealership market

There are two major types of business models used by pre-owned motor vehicle dealers in Singapore, in particular, the business-to-business (B2B) model and business-to-consumer (B2C) model. It is an industry norm that the pre-owned motor vehicle distributors or retailers make purchases from other sub-distributors or retailers.

The pre-owned motor vehicles industry is fragmented with approximately 800 market participants. The majority of market participants are medium to small sized companies, and with few large sized retail dealers.

THE EFFECTS OF CHANGING COE QUOTA ON NEW AND PRE-OWNED MOTOR VEHICLE MARKET

From 2012 to 2017, there was a large number of ageing motor vehicles being de-registered, which increased the number of COE quota being recycled back into the market. The increased COE quota had various impacts on Singapore's motor vehicle sales market such as:

(i) *Increasing new registration of new motor vehicles* — Owners of ageing motor vehicles were gradually replacing their motor vehicles with new motor vehicles. The COE premium was also decreasing at the same time, which stimulated a substantial demand for price-sensitive consumers. Therefore, from 2014 to 2017, the sales volume of new motor vehicles increased. In addition, prior to the announcement of zero vehicle growth rate implemented by the Singapore government in October 2017, motor vehicle dealers sold off their motor vehicles in order to lower their inventory before the policy was fully implemented, which further increased the total sales volume of new motor vehicles in late 2017 and early 2018. Consequently, the sales volume achieved a high CAGR of 28.6% from 2012 to 2017.

(ii) *Decreasing price of pre-owned vehicles* — From 2012 to 2017, a large number of motor vehicles was reaching the end of their 10-year entitlement period. These ageing motor vehicles were either de-registered at the tenth year or sold a few years earlier in the pre-owned market prior to the expiry of COE. As a result, there was an increasing supply of pre-owned motor vehicles, which lowered the average selling price of pre-owned motor vehicles. The decreasing average selling price partly offset the effect of the increased sales volume of pre-owned motor vehicles thereby, leading to a moderate increase in sales value at a CAGR of approximately 1.8%.

In late 2017, the LTA announced that Singapore's motor vehicle growth rate will be cut to zero for all private passenger cars (Category A and B) and motorcycles (Category D). This change will affect the supply of COE quota in the medium to longterm. The tightening COE supply will impose a few effects on Singapore's motor vehicle sales market such as:

(i) *Decreasing new motor vehicle registration* — The LTA has gradually reduced the number of COE quota since November 2017 and it is expected that the LTA will further reduce it in the long run, albeit a slight increase in August 2018. Besides, the reclaimed COE quota is decreasing as de-registration of motor vehicles is expected to reduce. Since the new motor vehicle registration is highly correlated to the COE quota, the COE quota will also face a downward trend.

(ii) *Increasing demand for pre-owned motor vehicles* — The supply of COEs will affect the demand for pre-owned motor vehicles. Tightening of COE quota will result in a relatively higher COE premium in the long run, and further increase the cost of purchasing new motor vehicles. Therefore, the demand for pre-owned motor vehicles will substitute the demand for new motor vehicles. Specifically, the price-sensitive consumers would prefer to purchase pre-owned motor vehicles instead of new motor vehicles. Purchasing a pre-owned motor vehicle is a preferable choice particularly when the COE quota is restricted and the COE premium is fluctuating in the short term. An increasing number of motorists in Singapore is opting to purchase six to nine year-old motor vehicles as a temporary option until COE premium fall in anticipation of higher number of de-registrations in the future.

SINGAPORE'S MOTOR VEHICLE DEALERSHIP FINANCING MARKET

Overview

As purchasing a motor vehicle in Singapore is expensive, most buyers would consider to take a loan from money lenders or from financial institutions to finance their motor vehicle acquisitions. Purchasers can choose (i) to borrow from a financial institution directly, such as a bank or credit union; or (ii) to obtain dealership financing through the motor vehicle dealer, which is more convenient as dealers offer one-stop services. The successful motor vehicle dealers usually have built up strong relationships with various banks and finance companies which are capable of offering customers access to more financing options. Among all the financing options, hire purchase financing is the major form of motor vehicle dealership financing in Singapore.

For dealership financing, the dealers could refer customers to third party money lenders or financial institutions for referral commissions, or provide direct in-house hire purchase financing to customers.

From the customers' perspective, financing option offered by banks are normally cheaper compared with dealer's direct in-house hire purchasing financing. Nevertheless, customers who consider time is of the essence would prefer choosing dealers' direct in-house hire purchasing financing rather than financing option offered by banks as the credit approval process of the former is normally simpler and faster. The average processing time of dealers is normally within one week while banks usually take about two weeks or more to process the applications. A quick process can largely shorten the waiting time for customers and hence improve customers' purchasing experience.

Dealership financing market size and forecast

In Singapore, approximately 70% of customers purchase vehicles with the assistance of car loans. Hire purchase financing is the major form of motor vehicle dealership financing in Singapore. In 2013, the MAS introduced restrictions on motor vehicle loans by financial institutions, to moderate the demand for vehicles and COEs and alleviate inflationary pressures. However, in May 2016, the MAS announced to ease rules on motor vehicle financing, with the maximum loan-to-value ratio having been raised from 60% to 70% for a vehicle valued at S$20,000 or less, and with the maximum loan tenure having also been extended from five years to seven years. The value of personal loans on motor vehicles in Singapore slightly rebounded to S$10.4 billion in 2017. The growth rate for personal loans on motor vehicles will remain positively correlated with the new and pre-owned vehicle dealership market in the future. It is expected the value of personal loans on motor vehicles will further reach S$11.5 billion in 2023, representing a CAGR of 1.7% between 2017 and 2023.

Most of the parallel-import vehicle dealers in Singapore offer dealership financing service as a value-added service. They assist customers in obtaining financing from banks or financial institutions in return for a commission income, and only a few dealers with adequate capital could provide in-house financing service solutions. For in-house financing service, there is no need to visit a bank or financial institution, and the dealers could directly provide one-stop services with relatively competitive hire purchasing packages, and offer the greatest convenience for customers.

Our Group occupied less than 1% of the total market share of personal loans on motor vehicles in Singapore in 2017.

Drivers

Relaxed regulation towards vehicle financing: The MAS eased the curb of car loans in 2016. Under new regulations, the maximum loan-to-value ratio for a vehicle valued at S$20,000 or less has been raised from 60% to 70%, and the ratio for a vehicle valued more than S$20,000 was enhanced from 50% to 60%, with the maximum loan tenure extended from five to seven years. The more relaxed regulation could encourage more people to purchase motor vehicles through instalment payment, which will bring more deals for dealership financing.

High cost for vehicle purchase: The expense of buying a motor vehicle is high in Singapore. Except for the payment for cars, people also need to pay for procedure-related fees, such as registration fee, COE premium, GST and ARF, which stop people from purchasing the vehicle with payment in full. Under such condition, it is common for Singapore people to complete the purchase with the help of financing service. As an effective approach for vehicle financing, dealership financing is boosted accordingly.

Comparatively low annual interest rates: Generally, the interest rate is one of the most important factors when finding the vehicle loan. According to the MAS, the annual prime lending rate of banks and finance companies in Singapore decreased from 5.38% in 2012 to 5.28% in 2017. The comparatively low annual interest rate will provide a more affordable price to attract price-sensitive customers to purchase vehicles through dealership financing.

Convenience brought by dealership financing: Most dealers complete the financing process on behalf of the customers. Such service saves time and decreases paperwork needed to go through for customers compared with financing through banks. The quick and convenient experience brought by dealership financing makes it a good option for consumers laying stress on easiness and inducing consumers preferring such one-stop-shop.

Barriers for entry

Well-established relationship: To offer a fair interest rate to consumers, dealers always have well-established relationships with the financial institutions so that they can get lower interest rate and earn a mark-up. Such relationship is built on the bases of abundant network accumulated and long-term recognition of the dealer's brand, which are difficult for the new entrants to establish.

Industry knowhow: Consumers may compare the interest rates in different institutions. To successfully attract consumers, dealers need to be equipped with the knowledge of both vehicle dealership market and financial industry to provide the financing service. Besides, to provide better purchasing experience, most dealership financing services handle the related paperwork for customers. Such services put higher requirement to the professionalism, and new entrants without additional industry knowhow may find it more difficult to get started in the market.

Intense competition: The vehicle sales market in Singapore is full-fledged after years of development. Many dealers have developed their dealership financing service successfully with stable customers accumulated and sound reputation established. Under such condition, it is hard for new entrants to compete with the existing players to attract customers.

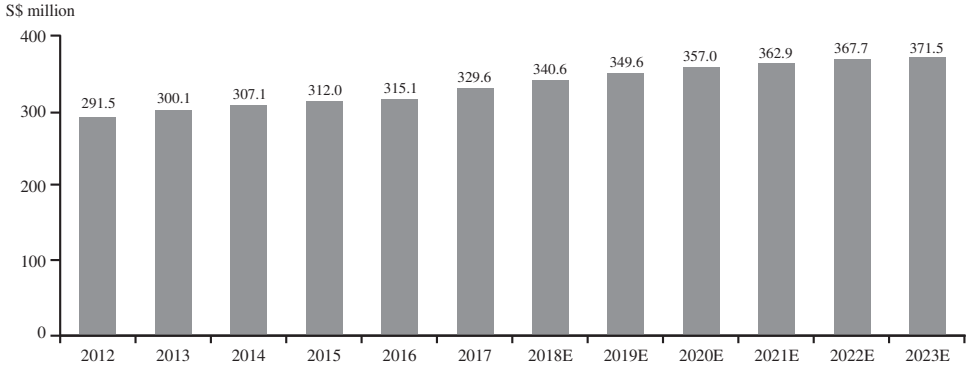
SINGAPORE'S MOTOR VEHICLE WORKSHOP MARKET OVERVIEW

The motor vehicle workshop market in Singapore generally provides services including vehicle repair and maintenance, modification, tuning and grooming.

The motor vehicle workshop industry generally has higher profit margin than the motor vehicle dealership industry due to its service nature. Moreover, the capacity of offering high quality after sales services is important for vehicle dealers to attract and retain customers. Therefore, authorised dealers generally operate self-owned workshops, and parallel-import motor vehicle dealers generally cooperate with independent workshops to provide relevant services to their customers. Parallel-import motor vehicle dealers having self-owned service centers, with well-established equipment and skilful technicians, are able to provide high-quality, efficient and diversified services to meet customers' various needs. By providing one-stop services, these dealers could easily win customer loyalty and gain more profit from after-sale services which in turn will strengthen their market position and competitiveness among other players in the market. The top ten motor vehicle dealers in Singapore in 2017 all operate their in-house motor vehicle workshop to provide after-sales services.

The motor vehicle workshop services market mainly includes the (i) repair and maintenance segment; and (ii) car modification, tuning and grooming market. From 2012 to 2017, the motor vehicle workshop services market steadily increased from S$291.5 million to S$329.6 million with a CAGR of 2.5%. Although the motor vehicle population in Singapore had a continuing decline from 2014 to 2016 and is projected to remain relatively stable and reach approximately 771,000 units by 2023, the motor vehicle workshop services market is projected to increase to S$371.5 million by 2023, indicating a CAGR of 2.0% between 2017 and 2023.

The market size of motor vehicle workshop services industry, Singapore, 2012-2023E



Source: the LTA of Singapore, the CIC Report

The growth of motor vehicle workshop services industry in Singapore is mainly driven by the ageing vehicles population. Singapore's car population has aged noticeably during the past few years. In 2017, for instance, the percentage of vehicle aged over 5 years was 53%, which is more than fourfold of the number ten years ago. In addition, high COE premium prompted a number of vehicle owners to revalidate the COE on their existing cars instead of purchasing a new car. As such, the percentage or the number of the aged vehicles will continue to increase in the future and hence enlarging the repair and maintenance industry since the aged vehicles usually have more frequent tests and examinations per year than new ones. According to relevant Singapore regulations, motor vehicles above 3 years and less than 10 years must be inspected every two years, while motor vehicles above 10 years must be inspected once a year to ensure that they are maintained in roadworthy conditions to minimise potential hazards to all road users. This requires vehicle owners to frequently repair and maintain their vehicles in order to pass such mandatory inspection. The increasing aged vehicle population and inspection frequency will surge up the demand for repair and maintenance. The repair and maintenance services usually include replacement of minor parts (e.g. replacing damaged light bulb), oil replacement, painting, etc. The average cost of repair and maintenance for a motor vehicle per year was about S$330 in 2017 and will maintain a steady growth in the future. Therefore, the motor vehicle repair and maintenance services market is projected to grow.

According to the LTA, vehicle owners can modify their interiors and small equipment, such as in-vehicle systems and bumpers without the LTA's approval. Certain modification on major parts such as engines, will need the LTA's approval while modification on functional (also exterior) equipment will not be allowed. Most of the modifications on in-vehicle entertainment systems, information and communication system installation and car seats installations are generally conducted at the time of sale. After-sale modifications normally refer to modifications to engines, exhaust systems, suspension systems and tuning which depends on the preference of the customers. The average modification service costs, which usually include modification on interiors, equipment, or even engines, ranged from S$1,500 to S$2,000 in 2017 depending on the service type. Aged motor vehicles will also need modifications to some extent or tunings in order to maintain good performance and hence the modification market is expected to have an upward trend in the next few years. Considering together with the above-mentioned repair and maintenance services market trend, the total motor vehicle workshop services market is projected to grow.

There are approximately 2,000 motor vehicle workshops in Singapore. The majority of them operate on a small scale and the overall competition in this market is relatively intense. Workshops need to have skilful technicians and a good reputation in order to attract and retain customers. The main entry barriers to enter into the vehicle workshop market include (i) large capital investment for start-up and operation; (ii) experienced mechanics; and (iii) good reputation and stable customer base.

OVERVIEW

Our Group's principal business operations are subject to certain laws and regulations in Singapore. Below is a summary of the laws and regulations which are material to our Group.

LAWS RELATING TO MOTOR VEHICLE OWNERSHIP IN SINGAPORE

Land Transport Authority of Singapore

The LTA is a statutory board under the purview of the Ministry of Transport of Singapore and is the main governing body for planning, operating and maintaining the land transport infrastructure in Singapore. The LTA is established under the LTA Act. Its functions and duties include: (a) developing and implementing road traffic management strategies and practices; (b) providing registration and licensing procedures and systems for road transport in accordance with the RTA; and (c) regulating the construction of motor vehicles and the conditions under which they can be used in Singapore. The LTA is empowered to, amongst other things, grant licences or permits, or to register persons, for land transport purposes and to supervise and enforce compliance with such licences, permits or registrations.

Customs Rules

Under the Customs Act, the GST Act and the Regulation of Imports and Exports Act, motor vehicles are categorised as dutiable goods and attract excise duty at a rate of 20%. A customs permit is required before actual importation of motor vehicles to account for the import and tax payment, and may be applied for by the importer directly or through a declaring agent. Importers of motor vehicles may apply for an assessment by the Singapore Customs of the motor vehicle's customs value (or commonly known as the OMV). Once the application is approved by the Singapore Customs and payment of GST and duties is made, the importer may use the permit to remove the motor vehicle from the port or licensed warehouse.

Vehicle Quota System and Certificates of Entitlement

The VQS is implemented to regulate the rate of growth of the motor vehicle population in Singapore through the control of the number of COEs available, which are required for motor vehicles to be registered in Singapore.

A COE represents the right to own a particular motor vehicle and road usage for a period of 10 years and is generally non-transferable. It is acquired through an open bidding process in which is bidders submit their bids in the form of a reserve price, which is the maximum bid amount that the bidder is prepared to pay for the COE. At the end of the 10-year COE period, motor vehicle owners may choose to deregister their motor vehicle or to revalidate their COEs for another five or 10-year period by paying the prevailing quota premium.

A quota is established for each category of motor vehicles, depending on the engine capacity and general use for the motor vehicle.

COE Category	COE obtained on or after the February 2014 first bidding exercise but before the May 2017 first bidding exercise	COE obtained on or after the May 2017 first bidding exercise
A	Car with engine capacity of up to 1,600cc and maximum power output of up to 97kW (130bhp)	Car with engine capacity of up to 1,600cc and maximum power output of up to 97kW (130bhp)
B	Car with engine capacity of above 1,600cc or maximum power output above 97kW (130bhp)	Car with engine capacity above 1,600cc or maximum power output above 97kW (130bhp)
C	Goods vehicle and bus	Goods vehicle and bus
D	Motorcycle	Motorcycle
E	Open (for all vehicle)	Open (for all vehicle except motorcycle)

The LTA determines the number of COEs to release for bidding based on every three months. The COE quota takes into account factors such as (i) the provision for vehicle growth rate; (ii) the number of replacement of COEs for vehicles deregistered over the preceding three months; and (iii) the adjustment for changes in the taxi population, replacement of commercial vehicles under the Early Turnover Scheme and expired COEs.

On 23 October 2017, the LTA announced that from February 2018 onwards, the vehicle growth rate will be revised from 0.25% to zero per annum for Categories A, B and D. The rate for Category C will remain unchanged at 0.25% per annum until first quarter of 2021.

Additional Registration Fee

The ARF is a tax imposed on each registration of a vehicle, on top of the registration fee of S$220 that is payable. The ARF is calculated based on a tiered structure, as a percentage of the OMV of the motor vehicle to be registered. The ARF for motor vehicles with OMV of up to S$20,000 will be at the rate of 100%, whereas the next S$30,000 will be at 140%, and any OMV beyond S$50,000 will be subject to an ARF at the rate of 180%. This tiered pricing structure is applicable to every motor vehicle registered with COEs from March 2013.

Preferential Additional Registration Fee

Motor vehicle owners are eligible for a PARF rebate of between 50% to 75% of the ARF paid if they de-register their motor vehicle before the expiry of its associated COE. This rebate is based on the age of the car which is calculated since the date of its first registration, whether within Singapore or overseas.

Vehicular Emission Standards and Scheme

The Environmental Protection and Management (Vehicular Emissions) Regulations apply to all motor vehicles whose whole weight is transmitted to the road surface by means of its wheels that are in contact with the ground when the motor vehicle is in motion. Under the regulations, all new petrol driven motor vehicles registered in Singapore from 1 September 2017 have to comply with certain prescribed standards for exhaust emission, depending on its class.

The CEVS was introduced in January 2013 to encourage the purchase of low carbon emission vehicles and was further extended and revised in July 2015. Under the revised CEVS, motor vehicles with low carbon emissions under 135 CO_2 g/km qualified for a rebate under the CEVS, which was offset against its ARF. Motor vehicles with high carbon emissions above 186 CO_2 g/km incurred a corresponding registration surcharge. To assist motor vehicle purchasers in making an informed decision, the Singapore government also made it mandatory for motor vehicle retailers to display fuel economy labels showing the CO_2 g/km performance data for each motor vehicle model at motor vehicle showrooms.

On 1 January 2018, VES was implemented and replaced the CEVS for all new cars, taxis and newly imported used cars registered from 1 January 2018 to 31 December 2019. In addition to the carbon dioxide criterion in the existing CEVS, the VES will cover four additional pollutants, namely, hydrocarbons, carbon monoxide, nitrogen oxides and particulate matter. The VES rebates and surcharges for cars will range between S$10,000 to S$20,000, depending on the vehicle's worst-performing pollutant.

To account for the CO_2 emissions produced by electricity generation from fossil fuels, an emission factor will be applied to the electricity consumption of electric vehicles and plug-in hybrid vehicles as measured under the United Nations Economic Commission for Europe Regulation No. 101 test procedures. The mandatory fuel economy labels were also re-designed to include the additional information on each motor vehicle's VES band, and required to be affixed on motor vehicles displayed for sale in showrooms after 1 January 2018.

The VES will be reviewed regularly to take into consideration its impact on motorists' purchasing decisions, technological advances in motor vehicles and the progress of Singapore's overall mitigation efforts on climate change and air pollution.

Road tax

All motor vehicle owners are required to have a valid road tax for their motor vehicles before these motor vehicles can be used on the roads in Singapore. Road taxes are renewable on a six-monthly or yearly basis. Motor vehicle owners must fulfil the prerequisites (e.g. obtain motor insurance coverage for the new road tax renewal period, pass the periodic motor vehicle inspection, etc.) prior to the renewal of their motor vehicles' road taxes. The road tax is calculated based on the engine capacity of the motor vehicle.

Electronic Road Pricing

The LTA has implemented an ERP system which charges motorists for the usage of ERP-priced roads during certain peak hours of the day, with the general objective of reducing traffic congestion on roads in Singapore.

The ERP charges are levied on motorists based on a pay-as-you-use principle. ERP rates vary for different roads and time periods and are determined by taking into account projected local traffic conditions and the tendency for traffic congestion to occur at certain locations and/or hours.

Motor Vehicle Loan Financing Restrictions

Motor vehicle loan financing restrictions in Singapore were previously in place from February 1995 to January 2003 and were re-introduced by the Singapore government in February 2013, with a view to moderating the demand for private motor vehicles in Singapore and alleviating overall inflationary pressures in the Singapore economy. The MAS has since eased restrictions through higher borrowing limits and longer loan tenures for the purchase of motor vehicles with effect from 27 May 2016.

Under current restrictions, the maximum loan-to-value ratio for motor vehicles with OMV of less than or equal to S$20,000 is 70% of the purchase price and the maximum loan-to-value ratio for motor vehicles with OMV of more than S$20,000 is 60% of the purchase price. The maximum tenure of motor vehicle loan financing is seven years.

Motor Vehicles (Third Party Risks and Compensation) Act

The MVA ensures that motorists are insured against liability for third party risks and the payment of compensation in respect of death or bodily injury arising from and/or out of the use of a motor vehicle in Singapore or in any of the territories specified in the schedule to the MVA ("**Third Party Risks**").

It mandates *inter alia* the possession of a valid policy of insurance or security in respect of Third Party Risks in accordance with the requirements under the MVA for the use of a motor vehicle in Singapore, and the insurer of such policy mandated under the MVA will be liable to indemnify the third party injured victims in respect of any Third Party Risks. Further, while an injured victim is not a party to the insurance contract, under the MVA, such injured victim is granted an enforceable right to claim damages from the insurer if he first obtains judgment against the motorist.

LAWS FOR CARRYING ON MOTOR VEHICLE SALES BUSINESS IN SINGAPORE

General licence for motor vehicle test-drive and trial

Section 28 of the RTA states that any person being a manufacturer or repairer of or a dealer in vehicles may apply to the Registrar of Vehicles, in lieu of taking out a licence for each vehicle kept or used by him, to take out a general licence in respect of all vehicles kept or used by him.

Our Group is required to comply with the terms and conditions of a general licence issued by the LTA with respect to the use of motor vehicles for test-drive and trial (e.g. pre-delivery inspection). The general licence is to be used only for the purpose of test-drive or trial of a motor vehicle by the licensee or any other person bona fide in its employment and acting under its authority, who must be present and be in charge of the motor vehicle whenever the general licence is being used. The general licence shall not be used for any motor vehicles other than a motor vehicle which is in the licensee's possession in the course of its business as a motor vehicle dealer. A general licence may be suspended or revoked if the licensee or any person under its employment is found to have contravened any provision of the RTA or its subsidiary legislation or breached any condition of the general licence.

Hire Purchase Act

Our Group offers our customers with motor vehicle hire purchase financing through hire-purchase agreements, pursuant to which our customers pay for their motor vehicle via monthly instalments whilst enjoying the benefit of immediate use of the motor vehicle. The hire purchase agreements entered into by our Group are governed by the HPA.

Under the HPA, all hire purchase agreements relating to goods specified in the First Schedule to the HPA (which include hire purchase agreements and conditional sale agreements relating to any motor vehicle the value of which does not exceed S$55,000 including import and excise duties and GST but excluding the cost of its COE) must contain all information prescribed in the Second Schedule to the HPA, such as details of the price (including the price of the COE), applied and

effective interest rates and total interest, due dates for each monthly payment, amount of each instalment, number of instalments, processing fees and other charges, total payable amount, date of commencement of instalment payments, additional charges for assignment and early settlement. In relation to such agreements relating to goods specified in the First Schedule to the HPA, the hirer must also be given notification of his rights under the Third Schedule to the HPA, such as being able to make a request in writing for a copy of the hire purchase agreement and/or the statement of account.

The HPR is applicable to any hire purchase agreement or conditional sale agreement made on or after 27 May 2016. The HPR stipulates that the minimum amount of deposit to be paid by the buyer under a hire purchase agreement for a motor vehicle shall be: (i) 30% of the purchase price of the motor vehicle if the applicable value of the motor vehicle does not exceed S$20,000; or (ii) 40% of the purchase price of the motor vehicle if the applicable value of the motor vehicle exceeds S$20,000. In addition, the maximum tenure of a hire purchase agreement for a motor vehicle shall be seven years.

Our Group is not required under the HPA to obtain any specific licences for the provision of hire purchase financing to our customers.

Finance Companies Act

The Finance Companies Act provides that financing business may only be transacted in Singapore by a Singapore-incorporated public company that is in possession of a valid licence granted by the MAS authorising it to conduct financing business in accordance with the provisions of the FCA. Under the FCA, "financing business" is defined as the business of (i) borrowing money from the public, by acceptance of deposits and issuing certificates or other documents acknowledging or evidencing indebtedness to the public and undertaking to repay the money on call or after an agreed maturity period; and (ii) lending money to the public or a related company of the finance company, on the basis that the public or related company undertakes to repay the money, whether within an agreed period of time or not, or by instalments. Such "financing business" under the FCA may also include the business of financing hire purchase transactions arising out of hire purchase agreements where the money used, or to be used, for such hire purchase business is borrowed from the public and such other business as the MAS may prescribe for the purposes of the FCA.

Our Group does not borrow money from the public, and the money used, or to be used, in its business of financing hire purchase transactions arising out of hire purchase agreements is not borrowed from the public. Accordingly, our Group is not considered to be carrying on a "financing business" within the meaning of the FCA and we are thus not subject to the FCA.

Moneylenders Act

The MLA regulates the business of moneylending in Singapore. The MLA provides *inter alia* that a person is prohibited from carrying on the business of moneylending in Singapore unless he is authorised to do so by a licence, or able to fall within the definition of "excluded moneylender" or "exempt moneylender". To constitute the business of moneylending, a person's business must, in the first place, involve the giving of loans of money by the person.

Our Group's provision of motor vehicle hire purchase financing consists solely of transactions in which the Group purchases motor vehicles which are then let to customers for hire for an agreed period in return for instalment payments. For transactions that are regulated under the HPA, customers have the option, at the end of the agreed period and subject to the terms of the transaction, to purchase the motor vehicle. For transactions not regulated under the HPA, property in the motor vehicle will pass to the customers upon full payment of the monies due from the customer under the terms of the transaction. As such, our Group's motor vehicle hire purchase financing business does not involve the giving of any loans of money by the Group. Under Singapore law, hire purchase financing is distinct from, and not regarded as, moneylending. Our Group's motor vehicle hire purchase financing business therefore does not amount to the carrying on of the business of moneylending under the MLA and will not be subject to the prohibitions under the MLA.

Insurance Act

Under the Insurance Act, a person who desires to carry on insurance business in Singapore as an insurer shall apply in writing to the MAS for a licence. Insurance business in Singapore is defined as the business of assuming risk or undertaking liability in Singapore under policies, and of receiving proposals for policies in Singapore, issuing policies in Singapore, or collecting or receiving premiums on policies in Singapore, unless otherwise prescribed by the MAS.

Insurance intermediaries, such as insurance agents, are also governed by the Insurance Act. An insurance agent is defined as (i) a person who, as an agent for one or more insurers carries on the business of receiving proposals for or issuing policies in Singapore, collecting or receiving premiums on policies in Singapore, or arranging contracts of insurance in Singapore; or (ii) a person who acts for, or by arrangement with, a person referred to in sub-paragraph (i) above in the performance of all or any of the activities carried out by the person referred to in sub-paragraph (i). All insurance agents are required to be registered with the ARB. Under Notice No. MAS 211 issued by MAS, a direct general insurer shall only enter into a contract of insurance arranged by an insurance agent if such insurance agent is registered with the ARB.

Under the GIARR, where an insurance agent is a company registered in Singapore, all its directors and employees who solicit general insurance business or who are engaged in general insurance selling or advisory activities will be classified as its nominee agents, upon their registration with the ARB. An insurance agent (other than an insurance agent who is an individual) must have at least one nominee agent at all times. Where such insurance agent has only one nominee agent and the position of such a nominee agent becomes vacant, the insurance agent shall advise the ARB immediately and have the vacancy filled within three months or such reasonable time as may be determined by the ARB. The GIARR also stipulates that an insurance agent must not represent more than three licensed insurers as the insurance agent's principals at any one time, of which one principal must be registered with the ARB as the insurance agent's primary principal.

In addition to the GIARR, all insurance agents and their nominee agents shall also comply with other guidelines and regulations issued by the GIA from time to time, such as the Fit and Proper Criteria, the Agency Management Framework for Insurance Agent, the Code of Practice for Agents and the Continuing Professional Development requirements.

Workplace Safety and Health Act

The WSHA imposes an obligation on every employer to take reasonable measures, so far as is reasonably practicable, to ensure the safety and health of their employees at work. The measures including: (i) the provision of a safe work environment which is adequately equipped with facilities and welfare arrangements to facilitate the carrying out of the duties of employment; (ii) ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by those persons; (iii) the development and implementation of safety measures in the event of emergencies that may arise and ensuring the adequacy of relevant instruction, training and supervision; and (iv) ensuring that employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in or near their workplace and under the control of the employer.

Under the WSHA, the Commissioner may serve a remedial order or a stop-work order in respect of that workplace if he is satisfied that: (i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of the persons at work; (ii) any person has contravened any duty imposed by the WSHA; or (iii) any person has done any act, or has refrained from doing any act which poses or is likely to pose a risk to the safety, health and welfare of persons at work.

Work Injury Compensation and Insurance

The WICA applies to all employees, local or foreign and regardless of salary, under a contract of service in respect of injuries sustained in the course of their employment. The WICA sets out the amount of compensation payable and the methods of calculation.

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

Employers are required to maintain work injury compensation insurance for the following two categories of employees engaged under contracts of service (unless exempted): (i) all employees doing manual work, regardless of salary level; and (ii) all employees doing non-manual work, earning less than S$1,600 a month.

Such insurance policies should cover the eligible claims under the WICA, including medical leave wages, medical expenses, and compensation for permanent incapacity or death. Further, the insurance payout should not be less than the compensation limits under the WICA.

Employment of foreign workers

The policies and regulations relating to the employment of foreign workers are set out under the EFMA and relevant government gazettes to regulate the availability and cost of foreign workers, both skilled and unskilled, in the domestic labour market.

The availability of foreign workers is dependent on the MOM's policies in relation to the countries from which foreign workers may be sourced, the maximum period of employment, the dependency ratio ceiling for local and foreign workers and the imposition of security bonds and levies.

Employers are required to ensure that foreign workers employed are in possession of the necessary work pass, being: (a) a "Work Permit" for semi-skilled workers; (b) an "S-Pass" for eligible mid-level skilled workers with a monthly fixed salary of at least S$2,300; or (c) an "Employment Pass" for eligible professionals, managers and executives earning a monthly fixed salary of at least S$3,600.

As at the Latest Practicable Date, we have 17 foreign employees, of which 12 employees are work permit holders, 3 employees are S-Pass holders and 2 employees are Employment Pass holders.

LAWS RELATING TO MOTOR VEHICLE LEASING IN SINGAPORE

We lease out motor vehicles to third parties as private-hire vehicles or for their personal use.

Part V of the RTA governs public service vehicles, which includes private-hire cars. Under the RTA, no person shall use a motor vehicle, or cause or permit a motor vehicle to be used, as a public service vehicle unless there is in force, in respect of the motor vehicle, a valid public service vehicle licence. For the purposes of the foregoing, use of a motor vehicle as a private-hire car includes a motor vehicle that (a) is in use in connection with a hiring to provide a ride-sourcing service; or (b) is immediately available to a private-hire car booking service operator to accept bookings from passengers for a ride-sourcing service using that motor vehicle. Any person who contravenes the licensing requirement shall be guilty of an offence. Public service vehicle licences cannot be transferred without the permission in writing of the LTA.

A public service vehicle licence may be suspended or revoked if *inter alia*, (a) owing to any defects in the motor vehicle in respect of which the licence is issued, the motor vehicle is or is likely to become unfit for service; (b) having regard to the conduct of the holder of the licence or to the manner in which the motor vehicle is being used, it appears to the LTA that the licence should be suspended or revoked; or (c) the licensee has contravened any of the provisions of the LTA or any rules made thereunder. The owner of a public service vehicle shall, unless he satisfies the court that he took every reasonable precaution to avoid the commission thereof, be responsible for all offences committed under the RTA or the rules in connection with the use of the vehicle and may be prosecuted for such offence either in addition to or instead of the driver.

With effect from 1 July 2017, the LTA introduced regulations applicable to private-hire car drivers. Under the new regulations, all chauffeured private-hire cars are required to display a pair of serialised tamper-evident decalcomania on the front and back windscreens. Such decalcomanias may only be affixed at an Authorised Affixing Centre and are not transferrable across motor vehicles, and shall not be removed unless the motor vehicles are no longer chauffeured private-hire cars. Private-hire car drivers who provide chauffeured services with a motor vehicle which does not display the decalcomanias will be committing an offence under the RTA. Any tampering, including defacement, altering, covering or obscuring of the decalcomanias is also an offence under the RTA.

Our Group is not required to obtain any specific approvals or licences for the leasing of motor vehicles to third parties. The motor vehicles which are leased to third parties for private-hire purposes are registered as "Private-Hire" with the LTA. The leasing *simpliciter* of motor vehicles to third parties, including finance lease arrangements, is not governed by and not in contravention of the HPA, MLA and the FCA. There are also no restrictions as to the fees relating to such lease of motor vehicles and their tenure of the lease.

LAWS FOR CARRYING ON MOTOR VEHICLE WORKSHOP BUSINESS IN SINGAPORE

As part of our Group's future plans, we intend to set up and operate a motor vehicle workshop at the Leng Kee Property, we may be subject to certain laws and regulations applicable to motor vehicle workshops in Singapore as set out below. In this regard, the setting up and operation of a motor vehicle workshop entails the notification of the motor vehicle workshop as a factory under the WSHA as elaborated below. Our Singapore Legal Advisers are of the view that presently, there are no legal impediments to our Group in obtaining relevant governmental approvals for the purpose of setting up and operating a motor vehicle workshop. For further details of the expansion plan in setting up a motor vehicle workshop, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

Vehicle modifications

Under the RTA, the LTA may make rules generally as to the use of motor vehicles, their construction and equipment and the conditions under which they may be used. Such rules which have been made by the LTA include the Road Traffic (Motor Vehicles, Construction and Use) Rules, the Road Traffic (Motor Vehicles, Lighting) Rules, the Road Traffic (Motor Vehicles, Seat Belts) Rules and the Road Traffic (Motor Vehicles, Speed Warning Device) Rules.

Pursuant to the RTA, it shall not be lawful to use a motor vehicle which does not comply with the rules as to construction, weight and equipment applicable to it, and if a motor vehicle is used or is sold, supplied, offered or altered in contravention of such rules, any person who so uses the motor vehicle or causes or permits the motor vehicle to be so used or so sells, supplies, offers or alters it or causes or permits it to be so sold, supplied, offered or altered shall be guilty of an offence.

Under guidelines issued by the LTA, there are three categories of modifications, namely (i) modifications that are allowed without having to seek LTA's approval; (ii) modifications that require LTA's approval; and (iii) modifications that are not allowed. Examples of these categories are set out as follows:

Examples of modifications that are allowed without LTA's approval	Examples of modifications that require LTA's approval	Examples of modifications that are not allowed
• Bumpers	• Engines	• Chassis
• Car seats	• Exhaust systems	• Crash bars
• Fog lamps	• Seating arrangements	• Daytime running lamps
• Fuel additives	• Sunroofs	• Decorative lamps
• Fuel molecule polarisers	• Superchargers or turbochargers	• Increasing engine capacity
• Gear knobs	• Transmissions	• Motorcycle head lamps
• In-vehicle entertainment systems		• Nitrous injection devices
• In-vehicle information and communication systems		• Spot lamps
		• Tinting or masking of vehicle lamps
		• Towhooks

Factory notification requirements

Under the WSHA, all factories must either register or notify their activities with the MOM by way of an online application before commencing operations. Factories that fall within the classes of factories described in the First Schedule to the WSHA are regarded as engaging in high-risk activities and are subject to registration requirements, while other factories not falling within the First Schedule to the WSHA are regarded as engaging in low-risk activities and are subject to notification requirements. The definition of "factory" under the WSHA includes *inter alia*, (i) any premises within which persons are employed in the repair, construction or manufacturing of any vehicle; and (ii) any premises where the construction, reconstruction or repair of vehicles or other plant for use for transport purposes is carried on as ancillary to a transport undertaking or other industrial or commercial undertaking, not being any premises used for the purpose of housing vehicles where only cleaning, washing, running repairs of minor adjustments are carried out.

In this regard, the motor vehicle workshop may fall within the scope of the said definition under the WSHA and may therefore be subject to notification requirements.

If there are any changes to the particulars of the factory which have been notified to the MOM, the occupier of the factory must furnish particulars of the changes to the MOM not later than 14 days of the change taking place. The occupier must also notify the MOM at least 14 days in advance if he intends to cease his occupation or use of the factory. Where any change is to be made to the type of work carried out in the factory, the occupier must also inform the MOM at least one month in advance of the proposed change in writing and provide the MOM with the relevant documents pertaining to the change and such other information as the MOM may require.

Machinery and equipment

Under the WSHA, any person who erects, installs or modifies any machinery or equipment for use at work has a duty to ensure, so far as is reasonably practicable, that the machinery or equipment is erected, installed or modified in such a manner that it is safe, and without risk to health, when properly used.

Under the WSHR, the occupier of a workplace has a duty to ensure that every electrical installation and electrical equipment in the workplace is of good construction, sound material and free from defects; and is used and maintained in such manner so that it is safe to use.

Under the WSHR, hoists and lifts, lifting gears, lifting appliances and lifting machines, amongst others, are required to be tested and examined by an authorised examiner before they can be used in a workplace. The examination shall be conducted by an authorised examiner once every six months or once every year depending on the type of lifting equipment.

Upon examination, the authorised examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination must be kept available for inspection. Under the WSHR, it is the duty of the occupier of a workplace to ensure that the lifting equipment complies with the provisions of the WSHR and to keep a register with the requisite particulars with respect to the lifting equipment.

Noise control

The Environmental Protection and Management (Boundary Noise Limits for Factory Premises) Regulations prescribe the maximum permissible noise level for factory premises. "Factory premises" means *inter alia*, any premises used for any industrial or manufacturing purposes and includes any repair or processing workshop.

In addition, the Workplace Safety and Health (Noise) Regulations 2011 prescribe permissible exposure limits for noise and applies to every workplace where a person is exposed or is likely to be exposed to excessive noise caused by any machinery or equipment used in the workplace or any process, operation or work carried out in the workplace. The occupier of a workplace has a duty to take, so far as is reasonably practicable, such measures to reduce or control the noise from any machinery or equipment used, so that no person at work in the workplace is exposed or is likely to be exposed to excessive noise.

LAWS RELATING TO CONSUMER PROTECTION

Lemon Laws for motor vehicles

Lemon Laws were implemented in Singapore in September 2012 to protect consumers and provide remedies for consumers in the event of defective purchases, where goods purchased do not conform to the description as stipulated within the sales contract at the time of delivery.

Provisions relating to Lemon Laws were added to the Consumer Protection (Fair Trading) Act, with amendments to the Hire Purchase Act and the Road Traffic Act.

Lemon Laws are applicable to the sale and purchase of motor vehicles and both new and used motor vehicles. Lemon Laws provide remedies to the consumer for a period of six months after the delivery of the motor vehicle for proven defects in the motor vehicle, which shall be presumed to have existed at the time of delivery, unless proven otherwise by the motor vehicle dealer. The burden of proof that the defect existed at the time of delivery is shifted to the consumer upon the lapse of the six-month period in order to successfully effect a claim under Lemon Laws.

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

Laws on motor vehicle dealer deposits

The Consumer Protection (Fair Trading) (Motor Vehicle Dealer Deposits) Regulations 2009 provides that a motor vehicle dealer shall, before collecting any deposit from a consumer in relation to or in contemplation of a motor vehicle sale contract, inform the consumer in writing of the terms of the refund policy of the motor vehicle dealer in respect of the deposit, and any ambiguity in the terms of such refund policy shall be interpreted against the motor vehicle dealer. Any motor vehicle dealer who does not comply with the foregoing requirement shall not be entitled to retain the deposit.

In addition, in respect of any deposit paid by a consumer in relation to or in contemplation of a motor vehicle sale contract involving financing arranged by the motor vehicle dealer on behalf of the consumer, the motor vehicle dealer shall not be entitled to retain such deposit unless the motor vehicle dealer has (a) within a reasonable period of time, applied for a loan from a financial institution on behalf of the consumer in respect of the motor vehicle sale contract on the terms agreed by the consumer; and (b) if the loan application was rejected by the financial institution, provided the consumer upon his request with a written statement from the financial institution containing certain prescribed particulars.

SINGAPORE COMPETITION LAW

The Competition Act, was enacted to regulate anti-competitive conduct and transactions that substantially lessen competition in Singapore. It is administered and enforced by the CCS, a statutory board established by the Competition Act, and is under the purview of Ministry of Trade and Industry. The Competition Act has extra-territorial effect as it applies to activities by "undertakings", which is widely defined as "any person, being an individual, a body corporate, an unincorporated body of persons or any other entity, capable of carrying on commercial and economic activities relating to goods or services".

In general, there are three categories of prohibitions under the Competition Act which are as follows:

Firstly, Section 34 of the Competition Act prohibits agreements, decisions or concerted practices which have as their object or effect the prevention, restriction or distortion of competition within Singapore ("**Section 34 Prohibition**"). Such agreements, decisions or concerted practices include *inter alia*, those which directly or indirectly fix purchase or selling prices or any other trading conditions and those which limit or control production, markets, technical development or investment.

Secondly, Section 47 of the Competition Act prohibits any conduct on the part of one or more undertakings which amounts to the abuse of a dominant position in any market in Singapore ("**Section 47 Prohibition**"). A conduct may constitute such an abuse if the unilateral conduct involves amongst others, predatory pricing, bundling, full-line forcing or discriminatory practices without objective justification. Exceptions to the Section 34 Prohibition and Section 47 Prohibition are set out in the Third Schedule of the Competition Act, and such exclusions include, amongst other things, undertakings entrusted with operation of services of general economic interest, or agreements which are made to comply with a legal requirement.

Thirdly, Section 54 of the Competition Act prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition within any market in Singapore for goods or services ("**Section 54 Prohibition**"). Exceptions to Section 54 Prohibition are set out in the Fourth Schedule of the Competition Act, and such exclusions include mergers relating to certain specified activities such as supply of postal services, piped portable water, and rail transport services.

Notwithstanding the various prohibitions, parties can request for the CCS to examine agreements and make a decision on anticipated or completed transactions if there are doubts as to whether they will infringe the various prohibitions, pursuant to Sections 42, 49 and 56 of the Competition Act. In addition, under section 61 of the Competition Act, the CCS may from time to time publish various guidelines indicating the manner in which the CCS will interpret and give effect to the provisions on the Competition Act.

The CCS has the powers to conduct an investigation if there are reasonable grounds for suspecting that any of the above prohibitions have been infringed. Upon finding of infringement, the CCS may: (i) provide directions to the undertakings to undertake acts as it considers appropriate to bring the infringement to an end such as modifying or terminating the agreement or modifying or dissolving the anticipated merger; or (ii) in the event the CCS finds that the infringement has been intentionally or negligently committed, impose a financial penalty of up to 10% of the turnover of the business of the relevant undertaking in Singapore for each year of infringement (up to a maximum of three years). In addition, private parties who have suffered any loss or damage directly because of an infringement of the prohibitions under the Competition Act have a right of civil action against the relevant undertakings, provided the CCS has already issued a final infringement decision.

Lastly, the Competition Act prescribes criminal sanctions under certain instances. Upon conviction, such offences can attract a fine not exceeding S$10,000 and/or imprisonment term not exceeding 12 months.

SINGAPORE INTELLECTUAL PROPERTY LAW RELATING TO PARALLEL IMPORTS

Trademark

Section 29 of the TMA provides that there is no trademark infringement if the goods are first put on the market, whether in Singapore or outside Singapore, with the express or implied consent of the trade mark proprietor, conditional or otherwise. This means that if goods had first been put on the overseas market with the trademark proprietor's consent, the trademark proprietor can no longer object to their sale if they are thereafter brought into Singapore. "Put on the overseas market" refers to a situation where an independent third party would obtain the right of disposal of the goods bearing the trademark, and the trademark proprietor would simultaneously have been able to realise the commercial or economic value of such goods.

However, section 29(2) of the TMA qualifies the application of section 29(1) by providing that section 29(1) of the TMA will not apply where (i) the condition of the goods has been changed or impaired after they have been put on the market; and (ii) the use of the registered trademark in relation to those goods has caused the dilution in an unfair manner of the distinctive character of the registered trademark.

The situation in which the "condition of the goods has been changed or impaired after they have been put on the market" include scenarios where the goods have been changed or impaired in such a way as to adversely affect their physical condition and using a registered trademark in a way which detracts from the allure and prestigious image of the goods or the aura of luxury which the proprietor of the registered trademark has succeeded in creating around his or her trademark.

In respect of the phrase "dilution in an unfair manner of the distinctive character of the registered trademark", Section 2(1) of the TMA defines "dilution" to mean lessening of the capacity of the trademark to identify and distinguish goods or services, regardless of whether there is (a) any competition between the proprietor of the trademark and any other party; or (b) any likelihood of confusion on the part of the public. This would include situations where the singularity or distinctiveness of the registered trademark is impaired or eroded, and where a registered trademark is used in relation to goods or service which are unwholesome, unsavoury, immoral or of obscene nature, or there is a damaging connotation to the positive image or reputation of the well-known mark, thereby making the trademark less attractive.

Parallel imports would not be treated as legitimate if the goods which are made in a country where the owner of the trademark, is not the registered proprietor in Singapore or is not at least related (e.g. parent-subsidiary companies).

Accordingly, as long as the parallel-import vehicles have been put in the overseas market in which the vehicles were first traded (and not Singapore) by the trademark proprietor and the condition of such vehicles have not been adversely changed or impaired, there is no breach of any trademark laws or regulations in the importation and sales of such motor vehicles into Singapore.

Passing off

Where there is no quality difference between the parallel imports and the domestic goods, and the parallel importer sells the parallel-import as they are, he is not making misrepresentation as to their trade source.

There is no passing off even where the imported goods are made by a licensee whose licence is limited to using the trademark in a particular territory. However, there may be passing off where the parallel importer does more than just sell the parallel imports as they are, e.g. by falsely representing that his business is connected with the trademark proprietor.

Where there are differences in the quality of the goods and the trademark proprietor can prove that the customer buying the parallel imports believe that they are buying goods of the same quality as that of the domestic goods, it would be regarded as passing off.

Accordingly, as long as the Group sells the parallel import vehicles manufactured by the trademark proprietor and do not falsely represent they are connected with the trademark proprietor (i.e. the Group do not represent that they are authorised distributors of the trademark proprietor) and/or that the Group are selling non parallel-import vehicles, there is no passing off by the Group.

Patents

In respect of parallel imports for all patented products other than pharmaceutical products, section 66(2)(g) of the Patents Act states that subject to certain provisions of the Patents Act, an act shall not constitute an infringement of a patent for an invention if: it consists of the import, use or

disposal of, or the offer to dispose of, any patented product or any product obtained by means of a patented process or to which a patented process has been applied, which is produced by or with the consent (conditional or otherwise) of the proprietor of the patent or any person licensed by him, and for this purpose 'patent' includes a patent granted in any country outside Singapore in respect of the same or substantially the same invention as that for which a patent is granted under the Patents Act and 'patented product', 'patented process' and 'licensed' shall be construed accordingly.

Therefore, it is clear that parallel importation of motor vehicles which are produced by the patent holder does not amount to an infringement of patent rights. Accordingly, the importation and sales of the parallel import vehicles in Singapore by the Group will not amount to patent infringement.

Registered design

A registered design right is not infringed by the import, sale, hire or offer or exposure for sale or hire of *inter alia*, articles to which the design has been applied, if the articles have been placed on the market, whether in Singapore or elsewhere, by or with consent of the registered owner, as set out in section 30(7) of the Registered Designs Act. There is therefore no infringement of any registered design rights by virtue of the parallel importation of motor vehicles into Singapore.

Copyright

Unlike the position under the Trademarks, Patents and Registered Designs Acts, unauthorised importation gives rise to liability for the secondary copyright infringement under the Copyright Act.

Section 32 (specifically for the copyright in a literary, dramatic, musical or artistic work) and Section 104 of the Copyright Act provides that a person may be liable for copyright infringement for importing goods protected by copyright into Singapore if (i) the importation was undertaken without the license of the owner of the copyright; (ii) the good was imported into Singapore essentially for commercial purposes; and (iii) the importer knows or ought reasonably to know that the making of the goods was carried out without the consent of the owner of the copyright.

Section 25(3) of the Copyright Act makes clear that reference to the owner of the copyright refers to the person entitled to the copyright in respect of its application to the making of an article of that description in the country where the article was made; or if there is no person entitled to the copyright in respect of its application to the making of an article of that description in the country where the article was made, the person entitled to the copyright in respect of that application in Singapore. Further, Section 25(4) of the Copyright Act provides that the making of the article shall be deemed to have been carried out with the consent of the owner of the copyright if, after disregarding all conditions as to sale, distribution or other dealings in the article after its manufacture, the article was made with the licence of the relevant copyright owner.

This allows for parallel imports where the article or good was not a copyright infringing article in its country of origin — that is to say, the article or good was made with a valid licence or permission of the relevant copyright owner in its country of origin. Therefore, there will be no copyright infringement from the parallel import of motor vehicles that are made with the licence of their respective brands.

In view of the aforesaid, it is permissible for our Group to sell parallel-import motor vehicles which are manufactured by their respective brands in the Singapore market under Singapore laws.

SINGAPORE TAXATION

Corporate tax

The prevailing corporate tax rate in Singapore is 17% with effect from year of assessment 2010. In addition, the partial tax exemption scheme applies on the first S$300,000 of normal chargeable income; and specifically 75% of up to the first S$10,000 of a company's normal chargeable income, and 50% of up to the next S$290,000 is exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at 17%. Further, companies will be granted a corporate income tax rebate of: (a) 50% of the tax payable for the years of assessment 2016 and 2017, subject to a cap of S$20,000 and S$25,000 respectively; (b) 40% of the tax payable for the year of assessment 2018, subject to a cap of S$15,000; and (c) 20% of the tax payable for the year of assessment 2019, subject to a cap of S$10,000.

Dividend distributions

(i) One tier corporate taxation system

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

(ii) Withholding taxes

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

Excise duty

For passenger motor vehicles imported into Singapore, an excise duty at the rate of 20% is levied on the customs value of the motor vehicle.

OVERVIEW

Introduction

Our history can be traced back to the establishment of Vincar Trading by Mr. Vincent Tan as a sole proprietorship in 1989 when we first engaged in the business of sales of pre-owned motor vehicles in Singapore. In 1999, Vincar Trading expanded into the business of sales of new parallel-import motor vehicles in Singapore. In December 2003, Mr. Vincent Tan incorporated Vincar through his personal resources which became our Group's first subsidiary that is engaged in the business of the sales of new parallel-import motor vehicles and pre-owned motor vehicles. As our business grew, we gradually conducted our business through Vincar. In 2007, Vincar Trading no longer conducted any business and had subsequently ceased in the same year. We are now a Singapore-based motor vehicle group selling new parallel-import motor vehicles and pre-owned motor vehicles. Apart from sales of motor vehicles, we also provide related services and products, such as (i) provision of motor vehicle financing services; (ii) provision of motor vehicle insurance agency services; and (iii) sales of motor vehicle spare parts and accessories. In addition, as part of our core business, we also provide motor vehicle leasing services.

Key business milestones

The key milestones in the development of our Group are highlighted chronologically below:

Month/Year	Event
December 2003	Mr. Vincent Tan incorporated Vincar for engaging in the business of the sales of new parallel-import motor vehicles and pre-owned motor vehicles in Singapore. We set up our showroom at the Automobile Megamart at Ubi which has a floor area of approximately 278 square metres.
December 2006 to April 2010	We expanded our operations by setting up our showroom at The Alexcier. The floor area of our showroom at The Alexcier is approximately 858 square metres.
August 2010	We undertook a corporate branding exercise to enhance our corporate image which includes, *inter alia*, revamping our emblem and our website, as well as changing our marketing collaterals so as to increase our market presence.
September 2013	We commenced our provision of direct motor vehicle financing business.

Month/Year	Event
May 2014	We incorporated VLR and commenced the business of leasing of motor vehicles.
2015	Vincar was awarded the Premium Dealer Award for the year 2015.
November 2015	Autoart was incorporated in November 2015.
May 2016	Autoart was certified as the authorised distributor for BRABUS Products in Singapore and we commenced the business of sales of spare parts and accessories.
2017	Vincar was awarded the Premium Dealer Award for the year 2017.
July 2017	Autoart was formally appointed as the exclusive distributor of BRABUS Products in Singapore.
2018	Vincar was awarded the Premium Dealer Award for the year 2018.
March 2018	We expanded our operations by setting up our showroom at Leng Kee Autopoint. The floor area of our showroom at Leng Kee Autopoint is approximately 617 square metres.

OUR CORPORATE HISTORY

Our company was incorporated in the Cayman Islands under the Companies Law as a company with limited liability on 4 July 2017, with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of a par value of HK$0.01 each. As part of the Reorganisation, our Company became the ultimate holding company of our Group.

A summary of the corporate history of each of our operating subsidiaries is set out below:

Vincar

Vincar was incorporated in Singapore on 18 December 2003 as a private company limited by shares. Vincar engages principally in the business of sales of new parallel-import motor vehicles and pre-owned motor vehicles.

At the time of its incorporation, Vincar had a share capital of S$2.00 comprising two issued ordinary shares ("**Vincar Share(s)**"), with one Vincar Share allotted and issued to each of Mr. Vincent Tan and Mrs. Marisa Tan. Mr. Vincent Tan and Mrs. Marisa Tan were appointed as the directors of Vincar on the date of its incorporation.

Subsequently, on 9 June 2004, Mr. Vincent Tan and Mrs. Marisa Tan were each allotted and issued 279,999 Vincar Shares and 119,999 Vincar Shares, respectively for a total consideration of S$279,999 and S$119,999 respectively, for cash at par value. Mrs. Marisa Tan resigned as a director of Vincar on 16 May 2008. On 23 June 2010, Mrs. Marisa Tan transferred her entire shareholding interest of 120,000 Vincar Shares to Mr. Vincent Tan for a total consideration of S$120,000 for cash at par value, pursuant to which Mr. Vincent Tan became the sole shareholder of Vincar with 400,000 Vincar Shares. On 11 December 2015, 600,000 Vincar Shares were allotted and issued to Mr. Vincent Tan for a total cash consideration of S$600,000 for cash at par value.

The 1,000,000 Vincar Shares held by Mr. Vincent Tan have been duly authorised by Vincar, and were validly issued and fully paid-up and were not issued in violation of any pre-emption or similar rights. The above-mentioned allotments and transfers had been properly and legally completed and settled.

On 12 October 2018, pursuant to the Reorganisation, Vincar became an indirect wholly-owned subsidiary of our Company held through Solution Lion. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

VLR

VLR was incorporated in Singapore on 23 May 2014 as a private company limited by shares, VLR engages principally in the leasing of motor vehicles in Singapore.

At the time of its incorporation, VLR had a share capital of S$100,000 comprising 100,000 issued ordinary shares in VLR ("**VLR Shares**"), with all 100,000 VLR Shares allotted and issued to Mr. Vincent Tan for a total consideration of S$100,000 for cash at par value. Mr. Vincent Tan was appointed as the sole director of VLR on the date of incorporation.

The 100,000 VLR Shares held by Mr. Vincent Tan have been duly authorised by VLR, and were validly issued and fully paid-up and were not issued in violation of any pre-emption or similar rights.

On 12 October 2018, pursuant to the Reorganisation, VLR became an indirect wholly-owned subsidiary of our Company held through Solution Lion. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

Autoart

Autoart was incorporated in Singapore on 23 November 2015 as a private company limited by shares, Autoart engages principally in the sales of motor vehicle spare parts and accessories in Singapore.

At the time of its incorporation, Autoart had a share capital of S$100,000 comprising 100,000 issued ordinary shares in Autoart ("**Autoart Shares**"), with 50,000 Autoart Shares, 45,000 Autoart Shares and 5,000 Autoart Shares allotted and issued to each of Mr. Vincent Tan, Mr. Kelvin Lim, an Independent Third Party and Mr. Lim Kong Joo, an Independent Third Party respectively, for a total consideration of S$50,000, S$45,000 and S$5,000 respectively for cash. Mr. Vincent Tan and Mr. Kelvin Lim were appointed as the directors of Autoart on the date of its incorporation.

On 1 December 2015, Mr. Kelvin Lim transferred his entire shareholding of 45,000 Autoart Shares to Mr. Ong Su Ann Jeffrey ("**Mr. Jeffrey Ong**"), an Independent Third Party for a total consideration of S$45,000, and ceased to be shareholder of Autoart. The said consideration was derived based on original investment cost. Mr. Kelvin Lim also resigned as a director of Autoart on 1 December 2015. Subsequently, on 25 January 2016, Mr. Lim Kong Joo transferred his entire shareholding of 5,000 Autoart Shares to Mr. Jeffrey Ong for a total consideration of S$5,000, and ceased to be a shareholder of Autoart. The said consideration was derived based on original investment cost. On 3 March 2016, Mr. Jeffrey Ong transferred his entire shareholding of 50,000 Autoart Shares to Mr. Vincent Tan for a total consideration of S$50,000, pursuant to which Mr. Vincent Tan became the sole shareholder of Autoart with 100,000 Autoart Shares. The said consideration was derived based on original investment cost.

The 100,000 Autoart Shares held by Mr. Vincent Tan have been duly authorised by Autoart, and are validly issued, fully paid-up and were not issued in violation of any pre-emption or similar rights. The above-mentioned allotments and transfers had been properly and legally completed and settled.

On 12 October 2018, pursuant to the Reorganisation, Autoart became an indirect wholly-owned subsidiary of our Company held through Solution Lion. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

Non-inclusion of the Excluded Entities

As our Group engages principally in the business of sales of new parallel-import motor vehicles and pre-owned motor vehicles, we have excluded from our Group (i) Vincar Assets, an investment holding company which is owned by Mr. Vincent Tan, our Executive Director and a Controlling Shareholder, and an Independent Third Party as to 50% each; and (ii) Wealth Assets, a property investment and property management company which is owned by Vincar Assets as to 20% and an Independent Third Party as to 80%. Further details of the reasons for excluding Vincar Assets and Wealth Assets are set out in the paragraph headed "Relationship with Controlling Shareholders — Interest of Controlling Shareholders in Other Business" in this prospectus.

Disposal of associated company

AFM was incorporated in Singapore on 3 September 2015 with an issued and paid-up share capital of S$2.00 comprising two ordinary shares of S$1.00 each. AFM was principally engaged in leasing of motor vehicles targeting at corporate customers and was owned as to 50% by Mr. Vincent Tan and 50% by an Independent Third Party. During the Track Record Period, our Group had transactions with AFM in relation mainly to the sales of motor vehicles to AFM. For further details about the transactions between our Group and AFM, please refer to "23. Related party transactions" in the Accountant's Report set out in Appendix I to this prospectus.

Given that AFM's main focus was corporate leasing of motor vehicles which overlapped with an insignificant part of our Group's business and also that AFM only recorded an insignificant profit prior to Mr. Vincent Tan's disposal, Mr. Vincent Tan had decided to divest AFM and focus on our Group's business. On 31 May 2017, Mr. Vincent Tan resigned as a director of AFM. Subsequently on 1 June 2017, Mr. Vincent Tan disposed his 50% shareholding interest in AFM to another Independent Third Party for a cash consideration of S$1.00 as AFM was no longer actively engaged in any business. Upon such disposal of shares, AFM ceased to have any relationship with our Group.

PRE-IPO INVESTMENT

On 17 July 2017, Mr. Vincent Tan, Solution Lion and the Pre-IPO Investor entered into the Pre-IPO Investment Agreement, pursuant to which Solution Lion allotted and issued 10 ordinary shares of par value of US$1.00 each (the "**Subscription Shares**") to the Pre-IPO Investor for a total cash consideration of HK$13,000,000.00 which was fully settled and received by our Group on 25 July 2017. Upon completion of the allotment and issue of the Subscription Shares by Solution Lion, Solution Lion was owned as to approximately 90% by Gatehouse Ventures and approximately 10% by the Pre-IPO Investor.

Background of the beneficial owner of Pre-IPO Investor

The Pre-IPO Investor is a limited liability company incorporated under the laws of BVI on 2 June 2017 and is wholly-owned by Mr. Ng Tat Po ("**Mr. Ng**"). Mr. Ng became acquainted with Mr. Vincent Tan during numerous social occasions in Singapore. Mr. Ng is a businessman whose investment portfolio includes manufacturing, residential and commercial properties. One of the factories owned by Mr. Ng is located in Huizhou City, Guangdong Province in the PRC and is involved in the manufacturing of plastic products. Mr. Ng is also involved in other businesses such as printing and liquid filling in the PRC. To the best knowledge and belief of our Directors, Mr. Ng is an Independent Third Party who decided to invest in our Group in view of (i) our Group's established track record and competitive strengths; and (ii) the prospects of our Group upon implementation of various future plans after the Listing as set out in the paragraph headed "Business — Our Business Strategies" in this prospectus.

Key terms and particulars of the Pre-IPO Investment Agreement

The key terms and particulars of the Pre-IPO Investment Agreement are set out below:

Name of the Pre-IPO Investor	:	Gifted Ally Limited
Date of the Pre-IPO Investment Agreement	:	17 July 2017
Amount of consideration paid	:	HK$13,000,000.00
Payment date of the consideration	:	25 July 2017
Total number of Shares to be held by the Pre-IPO Investor upon Listing	:	69,500,000
Cost per Share held by the Pre-IPO Investor *(Note)*	:	approximately HK$0.19
Discount to Offer Price	:	a discount of approximately 57.8% to the mid-point of the Offer Price of HK$0.45 per Offer Share
Use of proceeds from the Pre-IPO Investment	:	general working capital and funding to our Group

Shareholding in our Company upon the Listing (without taking into account any Shares that may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme)	:	approximately 7.7%
Strategic benefits from the Pre-IPO Investment	:	Our Directors are of the view that (i) the Pre-IPO Investment serves as a source of additional working capital to our Group and provides immediate funding available for our Group's business operation and expansion; (ii) since a lot of car-related spare parts and accessories are made of plastic and are sourced from the PRC, Mr. Ng's plastic manufacturing business and/or his business connections in the PRC would help on the supplies for our Group's business of sales of car-related spare parts and accessories, as well as for operation of our Group's motor vehicle workshop which is expected to commence operation in the second half of 2019; and (iii) we can benefit from the Pre-IPO Investor's commitment to our Company as its investment demonstrates its confidence in the operations of our Group and serves as an endorsement of our Company's performance, strength and prospects
Basis of consideration	:	based upon the net asset value of each of VLR, Vincar and Autoart as at 30 April 2017 and based on their respective unaudited management accounts for the four months ended 30 April 2017 and anticipated future earnings of each of VLR, Vincar and Autoart
Amount of unused proceeds as at the Latest Practicable Date	:	approximately 99.9% of the proceeds from the Pre-IPO Investment have been utilised for the payment of professional fees incurred from preparation of the Listing
Lock-up restrictions	:	the Shares held by the Pre-IPO Investor are subject to a lock-up period of 18 months from the Listing Date

Note: This is derived based on the 69,500,000 Shares to be held by the Pre-IPO Investor upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme).

The Pre-IPO Investor will hold approximately 7.7% of the enlarged issued share capital of our Company after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme). Given that (i) the shareholding of the Pre-IPO Investor in our Company upon Listing is less than 10% and is not a Substantial Shareholder; (ii) the Pre-IPO Investor is solely a passive investor in our Group; and (iii) it is an Independent Third Party (save for his Pre-IPO Investment), the Shares held by the Pre-IPO Investor will be counted as part of the public float of our Company upon completion of the Listing for the purposes of Rule 8.24 of the Listing Rules.

Rights of the Pre-IPO Investment

Call Option under the Pre-IPO Investment Agreement

Under the Pre-IPO Investment Agreement, the Pre-IPO Investor granted Mr. Vincent Tan the right (the "**Call Option**") to require the Pre-IPO Investor to sell the shares in Solution Lion (the "**Option Share(s)**") at the option price of HK$10.00 to Mr. Vincent Tan or his nominee who shall not be a member of our Group. The Option may be exercised in whole and not in part by Mr. Vincent Tan at any time after 28 February 2019 for the sole reason that the Listing does not materialise other than as a result of a default event. For the purpose of the Call Option, a default event means the inability to conduct the Listing due to reasons of (i) unsuitability of controlling shareholders and/or the Directors as a result of regulatory sanctions or reprimands or similar events or actions leading to such person being unsuitable to be a director or controlling shareholder of a listed company; or (ii) material breaches of Vincar and/or VLR and/or Autoart and/or any member of our Group in the Listing of any applicable laws and regulations; or (iii) the failure of our Company to list due to Mr. Vincent Tan or our Company or any member of our Group voluntarily ceases to proceed with the Listing for whatever reason (a "**Default Event**").

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, no Default Event had occurred since the entering into of the Pre-IPO Investment Agreement and up to the Latest Practicable Date.

Exit right under the Pre-IPO Investment Agreement

Pursuant to the Pre-IPO Investment Agreement and the side letter dated 30 November 2018 to the Pre-IPO Investment Agreement and the Supplemental Pre-IPO Investment Agreement entered into among the Pre-IPO Investor, Solution Lion and Mr. Vincent Tan, Mr. Vincent Tan undertook to the Pre-IPO Investor that for the sole reason that if the Listing does not materialise by 28 February 2019 as a result of a Default Event, then Mr. Vincent Tan shall acquire the Subscription Shares from the Pre-IPO Investor for an amount equal to the consideration paid by the Pre-IPO Investor under the Pre-IPO Investment Agreement (the "**Consideration**"). Such acquisition (provided that the Listing does not materialise by 28 February 2019) shall take place as soon as possible after 28 February 2019 and shall be the sole remedy available to the Pre-IPO Investor in respect of such Default Event.

For the avoidance of doubt, neither the Call Option nor the exit right may be exercised in any other event other than as stated above.

Sole Sponsor's confirmation

The Sole Sponsor is of the view that the Pre-IPO Investment by the Pre-IPO Investor is in compliance with the Guidance Letter HKEx-GL29-12 (issued in January 2012 and updated in March 2017), the Guidance Letter HKEx-GL43-12 (issued in October 2012 and updated in July 2013 and March 2017) and Guidance Letter HKEx-GL44-12 (issued in October 2012 and updated in March 2017) by the Stock Exchange.

REORGANISATION

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

(i) On 10 May 2017, Gatehouse Ventures was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US$1.00, of which 10 shares have been allotted and issued to Mr. Vincent Tan for cash at par on 26 May 2017.

(ii) On 12 May 2017, Solution Lion was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US$1.00, of which 87 shares have been allotted and issued to Gatehouse Ventures for cash at par on 26 May 2017.

(iii) On 4 July 2017, our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law, with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of a par value of HK$0.01 each. On the date of its incorporation, one nil-paid Share was allotted and issued to Sharon Pierson, as the initial subscriber, and was subsequently transferred to Gatehouse Ventures on the same date.

(iv) On 17 July 2017, the Pre-IPO Investor entered into the Pre-IPO Investment Agreement with Mr. Vincent Tan and Solution Lion, pursuant to which Solution Lion agreed to allot and issue 10 ordinary shares of par value of US$1.00 each to the Pre-IPO Investor for a total cash consideration of HK$13,000,000.00.

(v) On 12 October 2018, pursuant to the sale and purchase agreement entered into between Mr. Vincent Tan and Solution Lion for the transfer of the entire issued and paid-up share capital of VLR from Mr. Vincent Tan to Solution Lion, in consideration of the allotment and issue of one ordinary share in Solution Lion, credited as fully paid, to Gatehouse Ventures (being the nominee of Mr. Vincent Tan) at the direction of Mr. Vincent Tan.

(vi) On 12 October 2018, pursuant to the sale and purchase agreement entered into between Mr. Vincent Tan and Solution Lion for the transfer of the entire issued and paid-up share capital of Vincar from Mr. Vincent Tan to Solution Lion, in consideration of the allotment and issue of one ordinary share in Solution Lion, credited as fully paid, to Gatehouse Ventures (being the nominee of Mr. Vincent Tan) at the direction of Mr. Vincent Tan.

(vii) On 12 October 2018, pursuant to the sale and purchase agreement entered into between Mr. Vincent Tan and Solution Lion for the transfer of the entire issued and paid-up share capital of Autoart from Mr. Vincent Tan to Solution Lion, in consideration of the allotment and issue of one ordinary share in Solution Lion, credited as fully paid, to Gatehouse Ventures (being the nominee of Mr. Vincent Tan) at the direction of Mr. Vincent Tan.

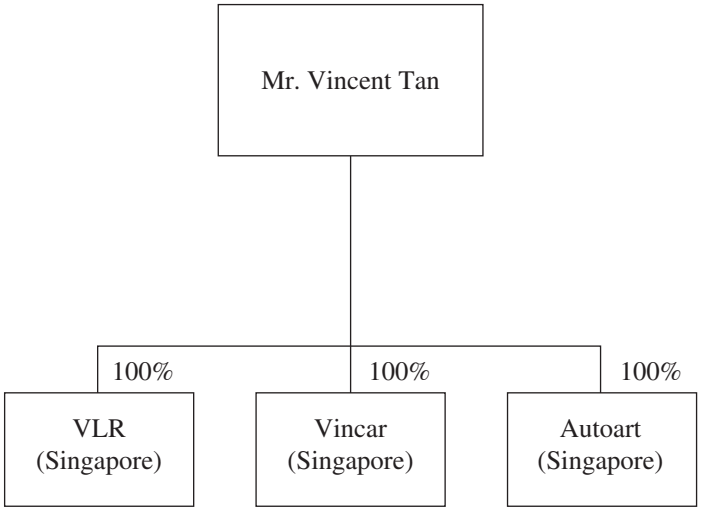
(viii) On 1 February 2019, pursuant to the sale and purchase agreement entered into among Gatehouse Ventures, the Pre-IPO Investor and our Company for the transfer of all the issued shares of Solution Lion from Gatehouse Ventures and the Pre-IPO Investor to our Company in consideration of (a) our Company allotting and issuing 89 Shares and 10 Shares to Gatehouse Ventures and the Pre-IPO Investor, respectively, all credited as fully paid; and (b) the initial Share held by Gatehouse Ventures being credited as fully paid.

Upon completion of the Reorganisation but before the Share Offer (without taking into account any Shares to be allotted and issued upon the exercise of options which may be granted pursuant to the Share Option Scheme), the entire issued share capital of our Company was held as to 90% by Gatehouse Ventures, which is wholly-owned by Mr. Vincent Tan, and 10% by the Pre-IPO Investor.

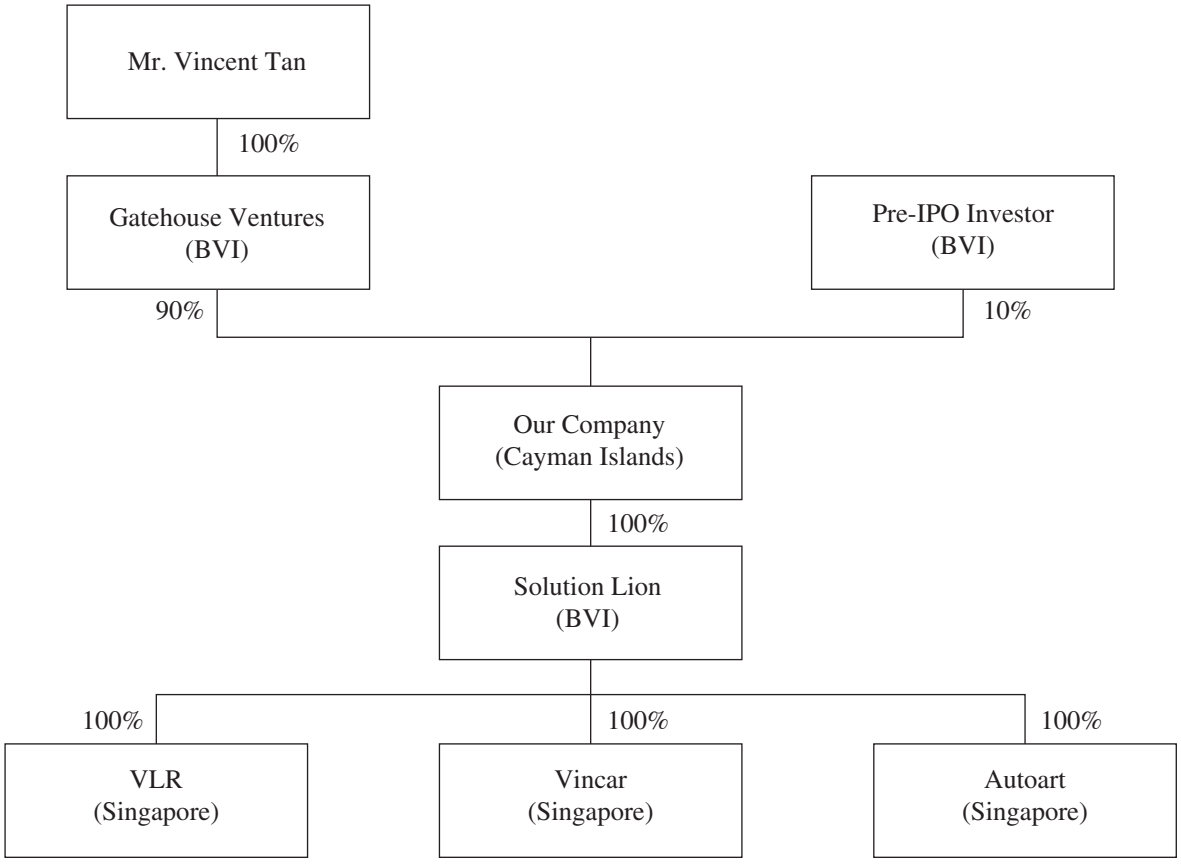
CORPORATE STRUCTURE OF OUR GROUP

The following charts illustrate our corporate structure (i) immediately before the Reorganisation; (ii) immediately after the Reorganisation (but before the Capitalisation Issue and the Share Offer and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme); and (iii) immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme):

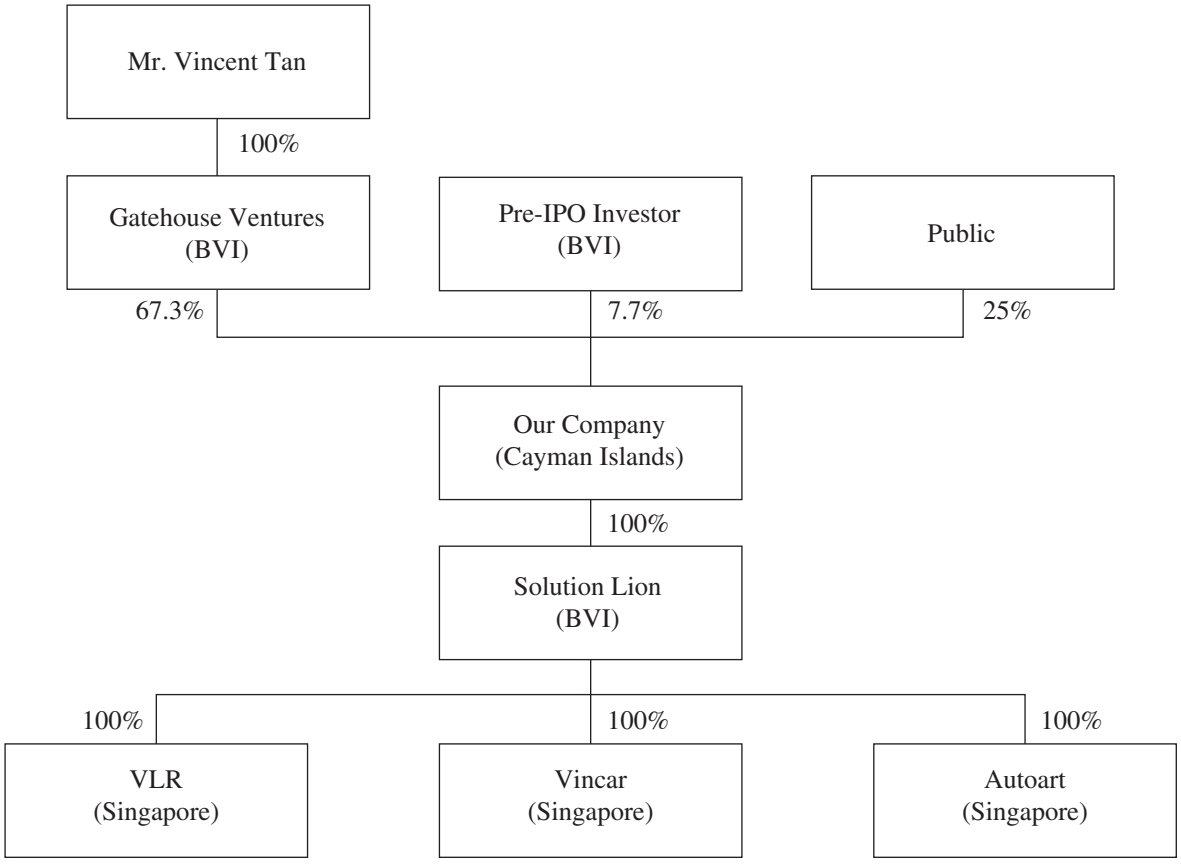
Immediately before the Reorganisation



Immediately after the Reorganisation (but before the Capitalisation Issue and the Share Offer and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme)



Immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme)



OVERVIEW

We are a Singapore-based motor vehicle group selling new parallel-import motor vehicles and pre-owned motor vehicles, with the main business being the sales of brand new parallel-import motor vehicles during the Track Record Period. Apart from the sales of motor vehicles, we also provide related services and products, such as (i) provision of motor vehicle financing services; (ii) provision of motor vehicle insurance agency services; and (iii) sales of motor vehicle spare parts and accessories. In addition, as part of our core business, we also provide motor vehicle leasing services.

With respect to our business of sales of new parallel-import motor vehicles, we focus on retail sales to individual and corporate customers, to whom we offer a selection of new parallel-import motor vehicles, from a wide range of motor vehicle brands. Apart from individual and corporate customers, our customers also include motor vehicle dealers who purchase motor vehicles from us with a view to on-sell to their own customers. For our business of selling pre-owned motor vehicles, we mainly sell motor vehicles traded in by our customers, and currently, such sales are mainly made to motor vehicle dealers who engage in the retail sales of pre-owned motor vehicles. Among our motor vehicle sales, we mostly sell private vehicles, while we also sell commercial vehicles from time to time. In addition, our sales are mostly local sales and occasionally we also conduct export sales to certain overseas customers. We source our motor vehicles from both local and overseas motor vehicle dealers.

With respect to our motor vehicle financing services, we mainly offer to our customers through two business models, namely: (i) by assisting our customers to obtain financing from financial institutions which include banks in return for a commission income from them; and (ii) by providing our direct in-house motor vehicle financing to our customers through hire purchase agreements or finance lease agreements. We also complement our motor vehicle sales business by providing insurance agency services through assisting the customers to procure the appropriate insurance policies and providers based on their motor insurance needs in return for a commission income from the insurance institutions.

With respect to our sales of motor vehicle spare parts and accessories segment, we are an exclusive authorised distributor of the BRABUS Products in Singapore under the BRABUS Distributor Agreement since 2017. The spare parts and accessories of which are specifically used for motor vehicles belonging to a premium German car brand.

In terms of motor vehicle leasing, we provide motor vehicle leasing services that range from within one year to seven years to both individual and corporate customers.

During the Track Record Period, our Group's total revenue amounted to approximately S$144.4 million, S$204.9 million and S$185.0 million for FY2016, FY2017 and FY2018, respectively. Our Group's net profit amounted to approximately S$4.6 million, S$8.0 million and S$7.4 million for FY2016, FY2017 and FY2018, respectively. The breakdown of our revenue for the Track Record Period is set out in the table below:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Revenue						
Sales of motor vehicles	137,916	95.5	196,989	96.1	176,194	95.2
Provision of motor vehicles financing services:						
(i) Finance commission income	2,708	1.9	3,987	1.9	3,812	2.1
(ii) Interest income from finance lease arrangements *(Note)*	1,918	1.3	2,017	1.0	2,077	1.1
Rental income from lease of motor vehicles under operating lease	1,314	0.9	1,474	0.7	2,370	1.3
Insurance commission income	434	0.3	370	0.3	418	0.2
Sales of spare parts and accessories	85	0.1	61	Negligible	122	0.1
Total	144,375	100.0	204,898	100.0	184,993	100.0

Note: Represents interest income generated from direct motor vehicle financing services through entering into either hire purchase agreements or finance lease agreements.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our Group's competitive strengths, as set out below, are the main drivers for our financial performance and growth in our business.

We have an established track record in the motor vehicle dealership industry in Singapore.

We have been in the motor vehicle dealership industry in Singapore for almost 30 years since Mr. Vincent Tan, our founder, Controlling Shareholder and Executive Director established Vincar Trading as a motor vehicles dealer in 1989. Over the years, we have enhanced our market presence by (i) developing our corporate brand and image; and (ii) building strong business relationships with our motor vehicle suppliers and customers. We strive to maintain close communications with our suppliers and customers through our efforts to keep up with our credibility with suppliers as well as facilitate customers in their motor vehicle purchase.

Despite operating in a competitive market environment with over 200 parallel-import motor vehicle dealers, we ranked 12th among all motor vehicle dealers in Singapore, and ranked first among parallel-import motor vehicle dealers in both 2016 and 2017 in terms of sales volume of new motor vehicles. Our Directors believe that our success can be attributed to our extensive experience, deep industry knowledge and the relationships we have fostered over the years.

Having engaged in the motor vehicle dealership industry for almost 30 years, our Directors believe that we have the experience and industry knowledge to assess the types and models of motor vehicles preferred by our clientele. We strive to continue to leverage on our long history and extensive experience in the motor vehicle dealership industry as well as the market reputation we built up in order to win and maintain our customers' confidence in our ability to offer and provide them with motor vehicles catered to their demands and needs in a timely manner.

We have the ability to source and offer a wide variety of motor vehicles to the market in Singapore.

For our motor vehicle sales business, we are able to offer customers a selection of motor vehicles from a wide spectrum of motor vehicle brands. Our Directors believe that we are well positioned to respond timely to the ever-changing consumer trends and offer motor vehicles that accommodate current market preferences and demand. Given our extensive network of contacts in the motor vehicle industry, our Directors also believe that we are able to meet customers' needs for motor vehicles which may not be readily available in our own inventory of motor vehicles.

Through our appointment as exclusive distributor of BRABUS Products under the BRABUS Distributor Agreement in Singapore, we have demonstrated that we have the capability to offer novel, specialised and innovative products in the market.

Our showrooms are located in strategic locations.

Since the beginning of the Track Record Period, we have operated mainly through two showrooms, namely our showroom at The Alexcier and our showroom at the Automobile Megamart on Ubi Avenue, both of which are located in areas which are renowned motor vehicle dealership hubs. In March 2018, we opened a new showroom at Leng Kee Autopoint so as to expand our business operation and increase our market presence.

The Alexcier showroom

Our showroom at The Alexcier is located within the main automotive belt in Singapore. It is mainly for displaying both Japanese and European branded new motor vehicles, and some pre-owned motor vehicles.

An illustration of our showroom at The Alexcier is as follows:





Automobile Megamart showroom

Our showroom at Automobile Megamart on Ubi Avenue displays mainly pre-owned motor vehicles and some new motor vehicles. Automobile Megamart is one of the largest car marts in Singapore, which houses a variety of motor vehicle dealers and their showrooms.

Leng Kee Autopoint

Our showroom at Leng Kee Autopoint, is located at a more prominent location in the main automotive belt in Singapore as compared with our showrooms located at The Alexcier and Automobile Megamart. It is mainly for displaying premium and high-end motor vehicles. An illustration of the showroom at the Leng Kee Autopoint is as follows:





Our Directors believe that the presence of our showrooms at strategic locations is essential for us to attract potential customers and maintain our predominant market position.

We have established and maintained good relationships with our principal bankers.

Our Group's business is not only dependent on our capital strength but it is also reliant on our reputation and creditworthiness as well as our established relationships with our principal bankers. Our continued relationships with our principal bankers have been paramount to our growth. Our day-to-day operation, growth and expansion depend on the continuous availability of credit from our principal bankers on competitive terms. Over the years, our principal bankers have continuously provided us with various loan facilities and lines of credit to finance our working capital needs as well as facilitate and enable our provision of motor vehicle hire purchase financing to our customers. We have managed to build and maintain good relationships with our principal bankers and receive continued support from them.

We have a network of contacts with various banks, financial and insurance institutions.

Our provision of motor vehicle financing services and insurance agency services are value-added services which are complementary to our sales of motor vehicles. Our Directors believe that understanding our customers' financing and insurance needs would allow us to provide our customers with what they need and this may in turn stimulate their desire to purchase motor vehicles from us. Over the years, we have built up a network of contacts with major banks, financial and insurance institutions and worked with major financial institutions in Singapore. Should our customers require financing and insurance for their motor vehicle purchases, we can refer them to the appropriate financial and insurance institutions in return for a commission income. Our subsidiary, Vincar, is registered with the GIA as an agent of certain reputable insurance institutions. Our Directors believe that the provision of motor vehicle financing and motor vehicle insurance agency services to our customers will give them a more holistic purchasing experience which may in turn boost our motor vehicle sales.

We have an experienced and dedicated management team which is supported by well-trained employees.

We are led by an experienced senior management team that has contributed to the growth of our business over the years. Our Chairman, Mr. Vincent Tan has over 30 years of experience in the motor vehicle dealership industry and has overseen the management, day-to-day operations, growth and strategic direction of our Group since its inception. The majority of our senior management team has been with our Group for more than 15 years. We believe that their experience and long history with our Group have given them in-depth knowledge of our business and contributed significantly to our success. For further details, please refer to the section headed "Directors and Senior Management" in this prospectus.

Our management team is supported by a team of experienced employees. Our sales personnel are the primary point of contact for our customers. They are well-trained to address and satisfy our customers' various motor vehicle related queries and needs. We recognise that the key to the success of our Group is the ability to retain our experienced employees. Therefore, we have implemented several employee retention measures, including staff training sessions, annual bonuses and other employee incentives such as team-bonding programmes.

We are the exclusive authorised distributor for BRABUS Products in Singapore.

Brabus is one of the world's largest automotive refinement specialists for a premium German car brand. Our subsidiary, Autoart, was certified as the authorised distributor of BRABUS cars and BRABUS tuning parts in Singapore in May 2016 and formally appointed as the exclusive authorised distributor of BRABUS Products in Singapore in July 2017 under the BRABUS Distributor Agreement. We have a dedicated space in our showroom at The Alexcier, where motor vehicles of a premium German car brand, enhanced with BRABUS components, are displayed and we have designated sales personnel who are equipped with BRABUS related specific knowledge to assist our customers.

Although the sales and distribution of BRABUS Products did not contribute significantly to our Group's revenue during the Track Record Period, our Directors believe that our appointment as the exclusive authorised distributor for BRABUS Products in Singapore helps to promote our image as the motor vehicle dealer of choice for luxury and bespoke products as well as our brand and reputation as a premium German car brand seller in Singapore. This will in turn increase our sales of these motor vehicles. During the Track Record Period, the sales of motor vehicles of a certain premium German car brand contributed approximately 21.5%, 41.6% and 34.4% to our total sales of motor vehicle for FY2016, FY2017 and FY2018, respectively. Accordingly, our Directors believe that the exclusive authorised distributorship for BRABUS Products in Singapore will provide our Group with more opportunities to boost the sales of the motor vehicles of such premium German car brand.

OUR BUSINESS STRATEGIES

Overview

During the Track Record Period, we were mainly engaged in the sales of new parallel-import motor vehicles and pre-owned motor vehicles, where our sales of pre-owned motor vehicles were principally sold to motor vehicle dealers. To facilitate our sales, we also provide related services and products, such as (i) provision of motor vehicle financing services; and (ii) provision of motor vehicle insurance agency services. Currently, we do not have our own motor vehicle workshop and our after-sales warranty services are provided to our customers through an independent motor vehicle workshop. In addition, as part of our core business, we also provide motor vehicle leasing services.

Moving forward, our general business strategy is to enhance our capabilities and strengthen our position as a parallel-import motor vehicle dealer providing one-stop motor vehicle solutions in order to capture a greater market share. These one-stop motor vehicle solutions would entail the entire suite of motor vehicle related services. To this end, we intend to specifically implement the following expansion plans/business strategies: (i) expanding our motor vehicle hire purchase financing business; (ii) expanding the scale of our pre-owned motor vehicle sales business; (iii) setting up of our own motor vehicle workshop; and (iv) enhancing our branding, sales and marketing efforts as further elaborated in the paragraph headed "Business — Our Business Strategies — The business strategies" in this prospectus.

We believe that the provision of one-stop motor vehicle solutions will enable us to have multiple contact points with different types of customers, which will allow us to: (i) "cross-sell" (i.e. referring customers from one aspect of our services to the other, e.g. from our retail sales of motor vehicles to the after-sales services provided by our motor vehicle workshop which we intend to set up in the second half of 2019, and vice versa); and (ii) "up-sell" (i.e. packaging different services together, e.g. offering after-sales services together with the retail sales of motor vehicles) to our customers. The multiple contact points with different customer types also allow us to build a comprehensive client database from which we can adopt effective sales and marketing strategies.

Sales of new and pre-owned motor vehicles

New motor vehicle sales

During the Track Record Period, over 80% our total revenue was derived from the sales of new motor vehicles. Due to the cyclical pattern of 10-year validity period of the COEs, there is an expected decreasing trend in the COE quota from 2018 onwards. Due to an expected decline in the number of close-to-expiring COEs, the number of new registrations for private vehicles is expected to reduce accordingly from an estimated number of 90,553 units in 2018 to 49,589 units in 2023. Despite the expected decrease in the COE quota, we will continue to focus on our sales of new motor vehicle as we believe we are in a strong position to maintain and/or increase our market share in terms of the sales of new motor vehicles. Notwithstanding the tightening of COE quota from 2018 onwards as well as the decrease in COE bids in 2018 as temporarily discouraged by the implementation of VES, our number of units of new cars sold increased by 9.9% from 1,514 units in FY2017 to 1,664 units in FY2018. Our Directors believe such increase was mainly contributed by the sales efforts as a result of the commencement of operation of the Leng Kee Autopoint showroom in March 2018. Upon Listing, we will continue our efforts in promoting new motor vehicle sales by enhancing our branding, sales and marketing efforts. We believe that our expansion plans such as the expansion of our provision of direct in-house hire purchase financing and setting up of our motor vehicle workshop will further drive up our new motor vehicle sales. Further details in relation to the business strategies of providing direct in-house hire purchase financing and setting up of our motor vehicle workshop, as well as enhancing our branding, sales and marketing efforts are set out in the paragraph headed "Business — Our Business Strategies — The business strategies" in this prospectus.

Pre-owned motor vehicle sales

Whilst our Group has focused and will continue to focus on the sales of new motor vehicles, we also have almost 30 years of experience in the sales of pre-owned motor vehicles which cannot be disregarded. Our Group has existing capabilities and expertise to focus on the sales of both new and pre-owned motor vehicles and increase sales of pre-owned motor vehicles moving forward. During the Track Record Period, a majority of our pre-owned motor vehicles were sold to motor vehicle dealers. Moving forward, our Group intends to expand the scale of our pre-owned motor vehicle sales upon Listing, particularly, with increasing focus on sales to retail customers in order to diversify our customer base and increase our profitability. Our Group will utilise its customer base and knowledge of its customers to penetrate the retail sector of the pre-owned motor vehicles. It is anticipated that the Listing would enable our Group to expand its financial capabilities so as to build up our Group's inventory of pre-owned motor vehicles and to defray inventory holding costs.

According to the CIC Report, it is expected that there will be an increase in the sales volume of pre-owned vehicles between 2017 and 2023 with a CAGR of 1.3%. We intend to leverage on and align with this upward trend so as to boost our sales of pre-owned motor vehicles. For further details, please refer to the paragraph headed "Industry Overview — Singapore Pre-owned Vehicle Dealership Market Analysis — Pre-owned Motor Vehicle Market Overview" in this prospectus. For further details of commercial rationale and strategies in relation to the expansion plan of expanding the scale of our pre-owned motor vehicles sales business, please refer to the paragraph headed "Business — Our Business Strategies — The business strategies — Expanding the scale of our pre-owned motor vehicle sales business in Singapore" in this prospectus.

Focusing on both new and pre-owned motor vehicles

Our Group is well-equipped with the experience and expertise to sell both new and pre-owned motor vehicles. With the increased inventory of pre-owned vehicles, we would have a wider product range and more options (both new and pre-owned motor vehicles) can be offered to our customers depending on their preferences and budget. We believe that this flexibility will allow our Group to tackle the market trend in respect of new and/or pre-owned motor vehicles.

Motor vehicle financing services and insurance services

While we have traditionally focused on our own customers who purchased new or pre-owned motor vehicles from us, we intend to expand our customer base for such services to the customers of other motor vehicle dealers as well, in particular those that do not provide their own in-house financing. During the Track Record Period, we offer motor vehicle financing services to our customers in two ways, namely: (i) by assisting our customers to obtain financing from financial institutions which include banks in return for a commission income from them; and (ii) by providing our direct in-house motor vehicle financing to our customers through hire purchase agreements or finance lease agreements. We will also assist our customers in obtaining the appropriate policies with the relevant insurance institutions in return for a commission income.

Notwithstanding the profitability of provision of our direct in-house motor vehicle financing services and that it would facilitate our motor vehicle sales business, we did not actively promote our direct in-house motor vehicle financing services to our customers due to our limited financial resources and capital base during the Track Record Period. Upon Listing, we intend to expand our direct in-house motor vehicle financing services in order to enhance our profitability. For further details in relation to our commercial rationale and strategies to expand our hire purchase financing business, please refer to the paragraph headed "Business — Our Business Strategies — The business strategies — Expanding our motor vehicle hire purchase financing business" in this prospectus.

After-sales and warranty services

Currently, we do not have our own motor vehicle workshop and during the Track Record Period our after-sales and warranty services are provided to our customers through an independent motor vehicle workshop. We intend to set up our own motor vehicle workshop in the second half of FY2019 at the Leng Kee Property which is in the vicinity of our Leng Kee Autopoint showroom in order to (i) increase our competitiveness in the market by enhancing customer loyalty; (ii) expand our customer base; (iii) reduce our reliance on other independent motor vehicle workshops; and (iv) save our workshop related services costs. According to the CIC Report, the top ten motor vehicle dealers in Singapore in 2017 all operate their in-house workshop to provide after-sales services. The operation of a motor vehicle workshop allows dealers to be more competitive than those who only provide after-sales services through independent motor vehicle workshops, as they could often win customers loyalty more easily and gain more profit by providing one-stop after-sales services to customers. Please refer to the paragraph headed "Industry Overview — Competitive Landscape for Dealership Market for New Motor Vehicle in Singapore — After-sales support offered" in this prospectus for further details in relation to the competitive advantages authorised dealers have over parallel-import motor vehicle dealers generally. Please also refer to the paragraph headed "Business — Our Business Strategies — The business strategies — Setting up of our own motor vehicle workshop" in this prospectus for further details in relation to our commercial rationale and strategies to setting up of our own motor vehicle workshop.

Leasing of motor vehicles

Currently, we offer two types of motor vehicle leases, being standard car leases and private-hire car leases. The motor vehicles used in our leasing business are generally sourced from our customers of our new motor vehicles who are minded to trade in their existing cars. For further details, please refer to the paragraph headed "Business — Leasing of Motor Vehicles" in this prospectus in relation to our motor vehicle leasing business.

The leasing segment of our Group's business would provide an additional contact point for our Group to sell our motor vehicles as well as refer customers in this segment to our customer database for new product offerings in the future. At the same time, our motor vehicle workshop would also facilitate the maintenance of our leased motor vehicles, thereby allowing our Group to have a greater control over costs.

Trade-ins of motor vehicles and pre-owned motor vehicle purchase

During the Track Record Period, our Group had sourced our pre-owned motor vehicles inventory from trade-ins. The option for our customers to trade in their motor vehicles has facilitated the retail sales of our new motor vehicles. However, this has caused our Group to have lower profit margins because our Group had to: (a) offer higher trade-in prices to attract customers to purchase new motor vehicles from us; and (b) sell the pre-owned motor vehicles to motor vehicle dealers at a lower profit margin in return for quicker working capital turnover for new motor vehicle sales. Therefore, in order to improve our profitability in our pre-owned motor vehicle sales, we need to increase our sale focus to retail customers. Going forward, we will put more effort and devote more capital in building up our pre-owned motor vehicles inventory by directly sourcing from the pre-owned motor vehicles market, our customer base, as well as other motor vehicle dealers with reference to the prevailing market trends and general consumer preferences for pre-owned motor vehicles. The diversity in the sources of pre-owned motor vehicles would allow us to build inventory and better serve the needs of our customers through a variety of product offerings. For further details in relation to the business strategies to expanding our scale of pre-owned motor vehicles from sourcing to sales to retail customers, please refer to the paragraph headed "Business — Our Business Strategies — The business strategies — Expanding the scale of our pre-owned motor vehicle sales business in Singapore" in this prospectus.

The business strategies

Our business objective is to enhance our capabilities and strengthen our position as a parallel-import motor vehicle dealer which provides one-stop motor vehicle solutions by actively developing and expanding complementary business and value-added services to our motor vehicle purchasers. Through the Listing, we aim to implement the following business strategies:

Expanding our motor vehicle hire purchase financing business

As purchasing a motor vehicle in Singapore is expensive, most individuals tend to take out a loan to finance their motor vehicle purchases, with dealership financing being the more convenient option compared to taking out loans from financial institutions. Following the easing of vehicle financing policy by MAS in May 2016, such as raising the maximum loan-to-value ratio and extending the maximum loan tenure, we believe that the dealership financing market in Singapore will continue to thrive. During the Track Record Period, we provided our motor vehicle financing services through (i) arranging hire purchase financing for our customers from financial institutions in return for a commission income which typically ranges from 3.0% to 6.0% of the total loan amount; and (ii) providing direct in-house hire purchase financing for interest income, with net interest spread[(Note)] of these finance lease receivables, being 3.52%, 3.54% and 3.96% for FY2016,

Note: For the business of provision of direct motor vehicle financing services, we measure the margins and/or profitability through the average yield on interest income, which is calculated by dividing the interest income from this business by the average balance of finance lease receivables (average of beginning and ending finance lease receivable balances for the years). For details of the average yield, average interest expenses and the net interest spread of the finance lease receivables in relation to our motor vehicle financing during the Track Record Period, please refer to the paragraph headed "Financial Information — Description of Selected Components of Combined Statements of Comprehensive Income — Gross profit and gross profit margin" in this prospectus.

FY2017 and FY2018, respectively. In comparison to the referral of our customers to financial institutions in return for a commission income, which is a one-off payment upon the loan being advanced by the financial institution, our Directors consider that the provision of direct in-house hire purchase financing is a preferable option and will improve our Group's profitability given that (i) the interest income would be recognised over the loan tenure and would generate a continuous and stable stream of revenue for our Group and during the Track Record Period our Group had been able to generate positive net interest spread on the relevant finance lease receivables; and (ii) we are entitled to receive early settlement charges if any of our customers chooses the early repayment option. Therefore, our Directors are of the view that the expansion of direct in-house hire purchase financing is instrumental to our performance. The commercial rationale for the expansion of direct in-house hire purchase financing services is based on the future trend and expected performance of the motor vehicle hire purchase financing industry in Singapore as well as the prospects and synergistic effects that these services can bring to our Group, such as a continuous business relationship with customers. Our Directors believe that our in-house hire purchase financing option is a more appealing option to customers who prefer a direct and convenient financing process given the fact that (i) the terms of in-house hire purchase financing can be concluded at the time of purchase; and (ii) such one-stop service is less time consuming as compared to obtaining financing separately from financial institutions which usually involves more paperwork. Apart from our own customers, we also provide direct in-house hire purchase financing to customers of other motor vehicle dealers. Moreover, along with our future expansion plan to expand our scale of sales of pre-owned motor vehicles to individual customers instead of dealers, we further expect that our provision of direct in-house hire purchase financing services would facilitate our customers on their purchase of pre-owned motor vehicles from us.

In relation to the provision of direct in-house hire purchase financing services to customers of other motor vehicle dealers, it is noted that according to the CIC Report most of the parallel-import motor vehicle dealers in Singapore offer dealership financing services as a value-added service where they will assist customers in obtaining financing from banks or financial institutions in return for a commission income, and only a few dealers with adequate capital can provide in-house financing solutions.

In this regard, as our Group would be financially capable of offering direct in-house hire purchase financing services, our Group intends to expand the provision of direct in-house financing services to customers of other motor vehicles dealers by (i) extending our network of motor vehicle dealers contacts through our Group's expansion plan, such as the establishment of our Leng Kee Autopoint showroom in March 2018, which have increased our exposure to more motor vehicle dealers and their customers; (ii) offering commissions to other dealers who refer their customers to us for our direct in-house hire purchase financing; and (iii) devoting more marketing efforts in promoting our direct in-house hire purchase financing options. Accordingly, our Directors are of the view that the provision of direct in-house financing services to customers of other motor vehicles dealers will be feasible to our Group.

Although our Group remains open to offer direct in house hire purchase financing options to customers of other motor vehicle dealers, our Group's primary focus will be on our own customers who purchase new and pre-owned cars from us. Accordingly, the expected scale of hire purchase financing services to customers of other motor vehicle dealers will be smaller than that to our own customers.

During the Track Record Period, approximately 43.3%, 47.5% and 39.7% of the total number of sales transactions required financing options either from us directly or from the financial institutions referred by us. Despite the profitability of the business, only approximately 9.5%, 3.2% and 6.5% of these sales transactions which required financing options were arranged through our direct in-house hire purchase financing while the remaining were arranged with hire purchase financing provided by financial institutions. This was mainly due to the fact that during the Track Record Period, we devoted our internal resources mainly to the trading of new motor vehicles which also required extensive working capital. In addition, due to our limited capital base, we had to adopt a more conservative capital management approach by not actively promoting our direct in-house hire purchase financing options to our customers in order to avoid any diversion of our capital and any over-reliance on gearing. Our Directors are of the view that our Group could have more access to funds after Listing which could provide us with the necessary funding to support the expansion of our in-house direct hire purchase financing business. Accordingly, we believe that this expansion will enhance our profitability.

Having taken into account (i) the anticipated new business opportunities arising from the establishment of our new showroom at the Leng Kee Autopoint in March 2018, which we believe, has enhanced our branding and market presence significantly and increased our exposure to more potential customers; (ii) our future plan to expand our pre-owned motor vehicle sales business to retail customers may also increase the demand for our hire purchase financing services; and (iii) the increase in our anticipated financial capability through the Listing to provide direct in-house hire purchase financing to customers of our own and of other motor vehicle dealers, our Directors believe that there will be sufficient demand for our motor vehicle hire purchase financing business and it is commercially justifiable and is in the interest of our Group to expand our direct in-house hire purchase financing business upon Listing.

Our gearing ratio was approximately 377.1%, 219.3% and 185.6% as at 31 December 2016, 31 December 2017 and 31 December 2018, respectively. Due to the capital-intensive nature of our Group's business and the fact that the provision of hire purchase financing requires a substantial amount of capital in reserve, our Directors consider that it is essential that we broaden our capital base from our expanded provision of hire purchase financing services since such expansion could result in higher interest expenses and increase our burden on gearing if we continue to rely solely on the block discounting facilities granted to us. As at 31 December 2018, we had (i) total unutilised banking facilities of approximately S$25.4 million, among which, block discounting facility amounted to approximately S$16.2 million and the remaining banking facilities, as set out in the paragraph headed "Financial Information — Utilisation of banking facilities" in this prospectus, were

subject to specific purposes stipulated by the banks which were not applicable to finance any hire purchase loan; and (ii) cash and bank balances of approximately S$7.9 million. We expect to deploy approximately S$13.7 million during the period from the Listing Date to 31 December 2020 to expand our hire purchase financing business of which approximately S$8.9 million will come from our internal resources and/or our remaining block discounting facility and approximately S$4.8 million will come from the net proceeds of the Listing. Our Directors expect that the Listing would help to expand the available source of capital, reduce our gearing level, and enable us to have greater financial flexibility and capability to provide our direct in-house hire purchase financing services to our customers. With the strengthened financial resources and broadened capital base upon Listing, we will be in a better position to promote our direct in-house hire purchasing financing options to potential customers as part of our expansion, which will in turn improve our motor vehicle sales, and result in a dual increase in profitability in terms of interest income and increase in sales.

For further details, please refer to the paragraphs headed "Future Plans and Use of Proceeds — Future Plans and Implementation" in this prospectus.

Expanding the scale of our pre-owned motor vehicle sales business in Singapore

During the Track Record Period, our gross profit margin from the sales of pre-owned motor vehicles to retail customers and to motor vehicle dealers was approximately 4.8% and -13.4%, respectively, which was much lower than our gross profit margin for retail sales of new motor vehicles. The average gross profit margin of pre-owned motor vehicles sales was approximately -8.9% during the Track Record Period, which had negatively affected our overall gross profit margin on the sales of motor vehicles business where the average gross profit margin of new motor vehicles was approximately 10.5%. It was mainly due to the fact that we primarily focused on the sales of new motor vehicles during the Track Record Period given the abundance in COE supply during such period. By devoting more resources to new motor vehicle sales rather than pre-owned motor vehicle sales, the profitability of pre-owned motor vehicle sales business was inevitably hampered, particularly since (i) our Group sold the majority of our pre-owned motor vehicles to motor vehicle dealers with a lower profit margin in return for quicker working capital turnover required for our new motor vehicle sales; and (ii) the majority of our pre-owned motor vehicles were sourced from customers who traded-in their motor vehicles to which our Group usually offered a higher price in order to attract the owners to purchase new motor vehicles from us. In addition, pre-owned motor vehicles from trade-in are generally of lower marketability which lowers the selling price of such vehicles, as compared to pre-owned motor vehicles that are sourced on our own, the marketability and conditions of which will be much more well-considered prior to sourcing. As our overall gross profit margin has been affected by the negative profit margin of the sales of pre-owned motor vehicle business, going forward, we intend to expand the scale of the sales of pre-owned motor vehicle business by allocating more resources in downstream sales to retail customers instead of motor vehicle dealers in order to improve our profitability. With the strengthenedfinancial resources upon the Listing, our Group intends to expand the scale of the sales of pre-owned motor vehicle business by (i) sourcing pre-owned cars directly from the market at a lower cost

as compared to sourcing from trade-in customers which usually has a higher average cost; and (ii) allocating more resources in downstream sales to retail customers at relatively higher prices.

According to the CIC Report, the market average selling price of pre-owned motor vehicles for parallel-import motor vehicle dealers to retail customers ranged from approximately S$65,000 in 2016 to S$90,000 in 2017, while to dealers ranged from approximately S$55,000 to S$80,000 for the same period. Our average selling price of pre-owned motor vehicles (which were mainly sold to motor vehicle dealers) was approximately S$36,000, S$49,000, and S$48,000 for FY2016, FY2017 and FY2018, respectively and it was generally lower than the market average selling price. It is expected that by moving along the value chain downstream, there is room for us to increase our average selling price of pre-owned motor vehicles and our profitability can be improved. In negotiating the purchase price and determining the sale price of the pre-owned motor vehicles, we will consider various factors including the OMV cost, the PARF, the original COE premium, the resources of the makes and models of the relevant vehicles which we believe that we have the knowledge and expertise to determine the appropriate selling price such that a reasonable return could be realised.

In addition, our Directors are of the view that the expansion plan in the pre-owned motor vehicle sales business is in line with the industry trend in respect of the sales of both new and pre-owned motor vehicles. With the current fleet of motor vehicles being increasingly replaced with new motor vehicles, the LTA had started to reduce the COE quota steadily from 2018, in order to maintain a suitable number of motor vehicles in Singapore. Due to an expected decline in the number of close-to-expiring COEs, the number of registrations of new motor vehicles is expected to decrease from 2018 to 2023 accordingly. In view of the downward sales trend in the new motor vehicles market, it is essential for our Group to mitigate the expected negative impact on our new motor vehicle sales by expanding the scale of our sales of pre-owned motor vehicles, in particular, to retail customers. According to the CIC Report, the sales volume for pre-owned motor vehicles in Singapore shows an upward trend over the last decade. Moreover, the percentage of pre-owned motor vehicle sales volume to the total vehicle population had increased significantly from approximately 5% in 2007 to approximately 18% in 2017 given that the total population of the motor vehicles in Singapore remained relatively stable during the period. According to the CIC Report, the percentage of pre-owned motor vehicle sales volume to the total vehicle population is expected to keep growing considering: (i) the historical growth momentum; (ii) the tightening of COE quota from 2018 onwards coupled with the fluctuating and increasing trend of COE premium from 2019 onwards are expected to drive price-sensitive customers to purchase pre-owned motor vehicle instead of new ones; and (iii) the rapid development of online platforms which simplifies the process of purchase of pre-owned motor vehicles and makes the information more transparent. Particularly, when the COE quota is restricted and the COE premium is fluctuating, it is expected that there would be an increasing number of motorists opting to purchase six to nine year-old motor vehicles as a temporary option until the drop of the COE premium and in anticipation of higher number of de-registration in the future. The room for profit in trading of pre-owned motor vehicles is also a driving factor for the growth trend of sales of pre-owned motor vehicles for dealers in Singapore. Therefore, the sales

volume for pre-owned motor vehicles is expected to keep an upward trend and further grow between 2017 and 2023. The expansion in our pre-owned motor vehicles sales business is justifiable and is a viable diversification of our Group's business in light of the expected cyclical downturn in the sales of new motor vehicles in Singapore from 2018 to 2023. Further details in relation to the impact of tightening of COE quota and the future trend of and drivers for the pre-owned vehicle sales are set out in the paragraphs headed "Industry Overview — Singapore Pre-owned Vehicle Dealership Market" and "Industry Overview — The Effect of Changing COE Quota on New and Pre-owned Motor Vehicle Market" in this prospectus.

The commercial rationale of our Group's expansion to the sales of pre-owned motor vehicles is closely linked to the trend of the pre-owned motor vehicle industry. Our Group's expansion plan has also been consistent with our strategy in the past especially when we were facing a downward trend of the sales of new motor vehicles. During 2012 to 2014 when the COE quota supply is low, our Group had focused more on the sales of pre-owned motor vehicles, with approximately over 35% of our total motor vehicle sales generated from pre-owned motor vehicles sales. On the contrary, as the supply of COE quota was abundant during the Track Record Period, our Group mainly focused on new motor vehicle sales and did not devote much resources to pre-owned motor vehicle sales due to our limited resources, with only less than 16% of our total vehicle sales generated from pre-owned motor vehicles sales, notwithstanding the upward trend of pre-owned motor vehicle industry as mentioned above.

With the expected continuing growth in the pre-owned motor vehicles industry, our Directors consider that for the long-term business growth of our Group, it would be necessary and it is in the interest of our Group to further expand in the pre-owned motor vehicle industry and to strengthen our resources in order to capture a larger market share. Considering the positive future trend of the pre-owned motor vehicles sales industry and by expanding our sales to retail customers which is expected to enhance our Group's profitability, our Directors are of the view that it is commercially justifiable for our Group to expand our sales of pre-owned motor vehicles and we will be able to secure sufficient demand for our pre-owned motor vehicles by leveraging on our existing capability in the pre-owned motor vehicle market as well as exerting appropriate strategies.

Given the retail focus of our Group, the expansion in the scale of our pre-owned motor vehicle sales to retail customers will expand our customer base and also offer our retail customers with more choices of motor vehicles which fit their budgets. It is also expected that our Group's profitability will also be enhanced through the synergies with our other businesses considering our pre-owned motor vehicles customers would also typically require our other services, such as motor vehicle financing services, insurance agency services as well as the repairs and maintenance services from the motor vehicle workshop that we operate.

As mentioned above, our pre-owned motor vehicles inventory have been mainly sourced from our customers who traded-in their motor vehicles to us during the Track Record Period. To expand the scale of our pre-owned motor vehicle sales business, we intend to put more efforts and devote more capital in building up our pre-owned motor vehicles inventory. The quantity, brands and types

of pre-owned motor vehicles that we intend to acquire mainly depend on the level and mix of our then inventory as well as the prevailing market trends and general consumer preferences for pre-owned motor vehicles. We intend to source the pre-owned motor vehicles inventory from (i) the pre-owned car market; (ii) our customer base developed over the years where we will initiate contacts with our customers and enquire about their willingness to trade-in their existing motor vehicles; and (iii) other motor vehicle dealers, in particular authorised motor vehicle dealers who accept trade-ins from their own customers but do not typically engage in the sales of pre-owned motor vehicles themselves, from time to time.

In addition, upon the establishment of our own motor vehicle maintenance and repair workshop which is expected to commence operation in the second half of 2019, we may also, from time to time, approach our motor vehicle workshop customers to ascertain their interest in selling their motor vehicles to us.

Our Company's strategies to secure demand for the retail sales of pre-owned motor vehicles are as follows:

(a) *Displaying our pre-owned motor vehicles at a more prominent location*: Historically, our Group's main showroom for displaying pre-owned motor vehicles was located at Automobile Megamart on Ubi Avenue. With the establishment of our Leng Kee Autopoint showroom in March 2018, we have re-positioned and differentiated our display of motor vehicle inventory by types in our various showrooms. Strategically, we intend to display more pre-owned motor vehicles at The Alexcier showroom, which is at a more prominent location than Ubi Avenue, especially those with better marketability and conditions, such as European brands. Accordingly, our Directors believe that this will enhance our branding and position in relation to our pre-owned motor vehicle sales and that our Group will enjoy greater market penetration to secure customer demand for pre-owned motor vehicles, thereby being able to reach out to a wider spectrum of potential customers with diverse needs and preferences.

(b) *Taking advantage of the benefits of operating our motor vehicle workshop*: The setting up of our own motor vehicle workshop in second half of 2019 will allow our Group to provide comprehensive after-sales services for our customers such as (i) grooming services; (ii) spare parts and accessories installation; and (iii) maintenance and repair services for both new and pre-owned motor vehicles. In this regard, the motor vehicle workshop can provide an additional platform for our Group to expose to more customers in promoting our pre-owned motor vehicles sales business, in particular to customers who choose to replace their existing motor vehicles. On the other hand, the in-house workshop can provide repair and refurbishment services to the pre-owned motor vehicles inventory which are sourced by us so as to increase the attractiveness and marketability of our pre-owned motor vehicle inventory and in turn facilitate our sales.

(c) *Offering more favourable warranty terms*: The setting up of our in-house motor vehicle workshop would lower the costs of after-sales services. As a result, our Group may have a greater flexibility to widen our range of after-sale services, and provide more favourable warranty terms. Currently, we generally do not offer any warranty coverage to customers who purchase pre-owned motor vehicles from us. We intend to offer after-sales warranty

ranging from one to three years to pre-owned motor vehicles customers in the future. According to the CIC Report, warranty services are generally not commonly provided by pre-owned motor vehicle dealers. Some pre-owned motor vehicle dealers may offer warranty coverage ranging from three months to three years depending on their scale and capabilities and the average warranty period offered is three to twelve months. As such, our Group will be in a better position to offer more comprehensive and attractive one-stop services for our retail customers of pre-owned motor vehicles as compared to other competitors. Accordingly, our Group will be in a more competitive position to attract more retail customers for pre-owned motor vehicles sales.

(d) *Leveraging on the expertise of our staff from the sourcing of the inventory and promoting the sales of pre-owned motor vehicles:* Our Group, led by Mr. Vincent Tan, has been in the pre-owned motor vehicle industry for almost 30 years. Our existing sales personnel already possess the accumulated knowledge on customers' preferences and the necessary expertise which is essential for promoting pre-owned motor vehicle sales. Going forward, our Group will devote more effort and resources in sourcing pre-owned motor vehicles with reference to prevailing market trends and general consumer preferences from its customer base established over the years in the pre-owned motor vehicles market, which includes pre-owned motor vehicle dealers, and promoting pre-owned motor vehicle inventory. We intend to recruit more salespersons with the necessary expertise to assist in the expansion of our pre-owned motor vehicle sales business. Our sales personnel who possess knowledge in pre-owned motor vehicle trading will be in a better position to offer more inventory options and advice to the customers, thereby enabling us to better meet their budgets and preferences.

(e) *Providing customised financing options*: Our Group is able to customise the financing options, for example, providing our in-house hire purchase financing or assisting our customers in obtaining financing from financial institutions, depending on the types of motor vehicles to be acquired and their specific needs. Our Directors believe that the customised financing options can attract and secure more retail customers to purchase pre-owned motor vehicles from our Group especially to customers with budgetary concerns or limited initial capital as our financing options would provide them with access to capital. In particular, our in-house hire purchase financing options would also help to facilitate the transfer of ownership of vehicle to the customers as the credit approval process is normally simpler and faster as compared to other financing options such as those offered by banks. Our Directors believe that our in-house hire purchase financing services help to differentiate ourselves from our competitors since only a few dealers in the market would offer such services considering the huge capital requirement. For further details, please refer to the paragraph headed "Business — Motor Vehicle Financing and Insurance Agency Services" in this prospectus.

(f) *Enhancing our online marketing efforts*: Currently, our Group's online pre-owned motor vehicle sales channel is mainly on the website of SGcarmart (***http://www.sgcarmart.com***), one of the largest third party online trading platforms for both new and pre-owned cars in Singapore. Going forward, we intend to revamp our own website to include an online trading platform for selection of our pre-owned motor vehicle inventory which will show detailed information including makes and models, mileage, description on the conditions,

of our pre-owned motor vehicle for sale. Our Directors believe that a user-friendly interface and transparency of information in our own online trading platform would greatly enhance customers' purchase experience and lower their information cost. Our Directors also believe that through our own online trading platform, we will be able to monitor and track our customers' behaviour, which allows us to enhance our understanding on the general market demand for pre-owned motor vehicle types and models and in turn, cater more to our customers' needs and preferences. Further, we target to expand our marketing campaign through increased promotion on the online sales channel such as the website of SGcarmart to increase our exposure in online platforms. We will also enhance our marketing efforts through our own social media platforms. Our Directors believe that with the said online marketing efforts, our pre-owned inventory will be further reached out to the market.

Given that (i) we have been engaged in the pre-owned motor vehicle sales business for almost 30 years which allows us to tap into our extensive network of contacts to reach out to potential customers who may be interested in acquiring pre-owned motor vehicles; (ii) our in-depth knowledge and experience in the pre-owned motor vehicle market which allow us to understand and keep abreast of consumers' taste and preferences and market trends; (iii) from 2012 to 2017, while the pre-owned motor vehicles sales volume in Singapore grew at CAGR of approximately 7.1%, our Group outperformed the market and achieved CAGR of approximately 14.3% in its unit sales of pre-owned motor vehicles for the same period; (iv) the expected potential synergies which may be brought about by our expansion plan to develop motor vehicle workshop business; and (v) we intend to gradually increase our pre-owned motor vehicle inventory with our strategies to secure demand for the retail sales of pre-owned motor vehicles as mentioned above, our Directors believe that we have the necessary expertise and capability to expand our pre-owned motor vehicle sales business and are confident to secure the demand to increase our market share in the pre-owned motor vehicle dealership market with the strengthened financial resources upon the Listing.

Moreover, given the expected improvement in the profitability of our sales of pre-owned motor vehicles by selling directly to retail customers, as well as the synergies with our existing businesses and our other future plans as aforesaid, our Directors are of the view that the expansion in the scale of the sales of pre-owned motor vehicle is commercially justifiable and is essential to our Group's growth in the foreseeable future.

As at 31 December 2018, we had unutilised floor stocking facilities amounting to approximately S$0.7 million. To expand the scale of our pre-owned motor vehicle sales, our capital requirements would be further increased and therefore we intend to utilise our net proceeds from the Listing amounting to approximately S$3.1 million and approximately S$0.4 million from our internal resources and/or our unutilised floor stocking facilities during the period from the Listing Date to 30 June 2020 for the above said purpose. For further details, please refer to the paragraph headed "Future Plans and Use of Proceeds — Future Plans and Implementation" in this prospectus.

Setting up our own motor vehicle workshop

As a motor vehicle dealer, our Directors consider that it is advantageous for our Group to have our own motor vehicle workshop that complements our motor vehicle sales and leasing businesses. Currently, our after-sales warranty services are provided to our customers through an independent motor vehicle workshop. Our Group also from time to time requires workshop services for (i) our new cars (e.g. grooming services, spare parts and accessories installation, etc.); (ii) maintenance and repair services for our pre-owned motor vehicle inventory; and (iii) maintenance and repair services for our leased motor vehicles. Our Directors believe that the comprehensive services provided by motor vehicle dealers including in-house after-sales services and other warranty services would enhance customers' confidence in the dealers. According to the CIC Report, the top ten motor vehicle dealers in Singapore in 2017 all operate their in-house workshop to provide after-sales services. We currently provide motor vehicle financing and insurance agency related services and we intend to expand our services to include after-sales maintenance and repair services through the setting up of our own motor vehicle workshop in order to enhance our competitiveness among other market players. By providing all-rounded services to our customers, they can then enjoy a convenient, one-stop motor vehicle purchase experience and customer loyalty can be strengthened.

Our Directors believe that there are strategic advantages and synergies for us to set up and operate our own motor vehicle workshop. Firstly, the setting up of a motor vehicle workshop will expand and diversify our revenue base by means of extending our service scope to include other customers such as car owners who did not purchase their vehicles from us, other motor vehicle dealers and motor vehicle leasing companies who do not have their own workshops, as well as insurance companies for repair works as needed. In this regard, in respect of motor vehicles owners who engage our after-sales and warranty services for motor vehicles not previously purchased from us, we could potentially introduce our motor vehicle options to these customers or cross-refer them to our customer database for new product offerings in the future. Further, extending our business activities to after-sales services will not only enable us to become a holistic and comprehensive one-stop shop for our customers and their needs but also enhance personalised customer experience for our customers for both our sales of new and pre-owned motor vehicle business. Having our own motor vehicle workshop allows us to control the quality level of our after-sales services. With diversified customer base and revenue stream, we believe that the profitability of our Group will be enhanced.

By utilising our in-house workshop services capabilities instead of engaging other motor vehicle workshops, our Directors believe that it could help to reduce our reliance on other independent motor vehicle workshops and that the costs of (i) provision of warranty services; (ii) servicing and parts in relation to motor vehicle sale (e.g. grooming services, spare parts and accessories installation); (iii) maintenance and repair for our pre-owned motor vehicles inventory; and (iv) maintenance and repair for our leased motor vehicles could be saved, which in turn lowers our Group's overall cost of operation in the long run. The aforementioned workshop costs incurred in relation to our motor vehicle sale and leasing businesses during the Track Record Period amounted to approximately S$3.4 million, S$6.5 million and S$6.5 million for FY2016, FY2017 and FY2018, respectively.

In addition, since the new motor vehicle sales market in Singapore is subject to a cyclical pattern, our Directors consider that it is in the interest of our Group to diversify our business risks. In particular, our Directors consider that during the period of tightening of COE quota, it is expected that more aging vehicles will be on the road which will in turn spur the demand for workshop services. Further, considering (i) our experience and established track record in the motor vehicle dealership industry; (ii) our market position as the top parallel-import motor vehicle dealer in terms of new motor vehicle sales in Singapore; (iii) the synergies with our Group's existing businesses of motor vehicle sales and leasing; (iv) the anticipated demand for workshop services from our customers and other motor vehicle owners; and (v) the operation of our own motor vehicle workshop would enhance our competitiveness, our Directors are of the view that the setting up of our own motor vehicle workshop is commercially justifiable and our Directors are confident that our market position will be further strengthened upon the opening of the motor vehicle workshop.

Our motor vehicle workshop is expected to commence business in or around the second half of 2019. We intend to place more capital and resources to set up our motor vehicle workshop. To secure the site for our motor vehicle workshop, we have entered into a memorandum of understanding with Wealth Assets in January 2018 (as supplemented by an extension letter, as mutually agreed between the parties, in November 2018) ("**MOU**") for the use of the certain premises at the Leng Kee Property, located at the same building of our Leng Kee Autopoint showroom. Under the MOU, we have an exclusivity period from the date of the MOU till 30 June 2019 to finalise and sign a tenancy agreement with Wealth Assets to lease the aforesaid premises and the tenancy agreement will be for a proposed term of two years at a proposed monthly gross rent of S$63,000 (inclusive of maintenance and service charges), all of which are negotiated on arm's length basis. Accordingly, our Directors are of the view that our Group can execute a definitive tenancy agreement in light of the said exclusivity period and that parties are to act in good faith to discuss and negotiate the terms of the definitive tenancy agreement. Further, there are no material requisite regulatory approvals to be obtained in respect of executing a definitive tenancy agreement with Wealth Assets. We will also invest in the necessary plant and equipment and hire qualified technicians and expertise personnel to operate the motor vehicle workshop. For details in relation to the requisite approvals in relation to the setting up of a motor vehicle workshop, please refer to the section headed "Regulatory Overview — Laws for carrying on motor vehicle workshop business in Singapore" in this prospectus. Our Singapore Legal Advisers are of the view that presently, there are no legal impediment to our Group in obtaining the requisite approvals for the purposes of setting up and operating a motor vehicle workshop.

Our Directors consider that the direct costs involved in the provision of motor vehicle workshop services will mainly consist of cost of materials and it is anticipated that the gross profit margin for operating the motor vehicle workshop is expected to be approximately 50%. Other operating costs of a motor vehicle workshop will mainly comprise (i) staff costs; (ii) rental expenses; and (iii) depreciation expenses of equipment. Apart from the rental expenses of S$63,000 per month as aforesaid, we estimate that the staff costs and the depreciation expenses in relation to the furniture and fittings as well as equipment for the initial set up of the workshop will be approximately S$28,000 per month and approximately S$0.5 million per year, respectively. Assuming that (i) the

average costs in relation to the workshop services incurred by our Group during the Track Record Period amounted to approximately S$5.5 million, being the average amount of the workshop costs incurred in relation to our motor vehicle sales and leasing businesses during the Track Record Period, would become our source of revenue for operating our own motor vehicle workshop; and (ii) the gross profit margin recognised by other independent motor vehicle workshops in relation to such workshop costs would be the same as our expected gross profit margin of approximately 50%, taking into account other operating costs such as staff costs, rental expenses and depreciation expenses as mentioned above, and considering that the services of our motor vehicle workshop can be extended to (a) our customers requiring workshop services; (b) other customers who require workshop services; and (c) insurance companies which provide insurance for repair of motor vehicles, our Directors expect that we will be able to maintain profitable operation of our motor vehicle workshop.

The capital expenditure such as renovation costs, fitting costs as well as acquisition cost of plant and equipment in relation to the setting up of our motor vehicle workshop is expected to be approximately S$1.4 million among which approximately S$1.1 million will be funded by the net proceeds from the Listing. The remaining capital expenditure of approximately S$0.3 million and other operating costs for running the motor vehicle workshop will be funded by our internal resources. For further details, please refer to the paragraph headed "Future Plans and Use of Proceeds — Implementation Plan" in this prospectus.

Enhancing our branding, sales and marketing efforts

We will continue to seek ways to enhance our branding, sales and marketing efforts to maintain and entrench our position as the market leader among parallel-import motor vehicle dealers in Singapore. Further, we will also seek ways to distinguish ourselves from our competitors so as to improve sales performance and profitability.

To increase our visibility to the market and broaden our customer base, we have expanded our business operation by setting up our Leng Kee Autopoint showroom in March 2018, which is located at the Leng Kee Property, a more prominent location in the main automotive belt in Singapore as compared to our other showrooms at The Alexcier and on Ubi Avenue. Leng Kee Road is renowned for its congregation of automotive-related business. Our Leng Kee Autopoint showroom displays premium and high-end motor vehicles, which we believe would augment the branding of our business and strengthen our market position. The establishment of the Leng Kee Autopoint showroom was a milestone in our business development. Upon Listing, we will further enhance our sales and marketing efforts to promote Leng Kee Autopoint showroom and our branding. To this end, we require recruitment of additional salespersons for Leng Kee Autopoint showroom and we intend to conduct more extensive marketing activities to promote the Leng Kee Autopoint showroom, such as advertising through newspaper and magazines. In anticipation of the commencement of operation of our motor vehicle workshop in the second half of 2019 which will be established in the vicinity of our Leng Kee Autopoint showroom, we expect to undertake more promotional activities for the launch of our motor vehicle workshop and to promote our Group's overall branding as a parallel-import motor vehicle dealer which provides one-stop services to our customers.

The motor vehicle dealership business requires sales personnel who are motivated and continuously challenged and such employees are constantly required to improve their skills and expand their knowledge. Therefore, as part of our continuing efforts to improve our performance, we are dedicated to improve product familiarity and other professional knowledge of our sales personnel through training sessions. We will also enhance our sales and marketing efforts through more advertising and marketing campaigns as well as participation in road shows and selected promotional events where we expect ample potential customers to attend.

We intend to utilise our net proceeds from the Listing amounting to approximately S$0.8 million in relation to the enhancement of our branding sales and marketing efforts. For further details, please refer to the paragraph headed "Future Plans and Use of Proceeds — Future Plans and Implementation" in this prospectus.

When evaluating our Group's expansion plans, our Directors also consider the following synergistic effects of: (i) the provision of direct in-house hire purchase financing services with the sales of new and pre-owned motor vehicles, in particular, the anticipated increase in pre-owned motor vehicle sales to retail customers who require financing options (as well as insurance agency services); (ii) the expansion in sales of pre-owned motor vehicles with the opening of our own motor vehicle workshop, which, in our Directors' view can be an additional platform for sourcing pre-owned motor vehicles, as well as an additional sales channel for both new and pre-owned motor vehicles; and (iii) the future plan of setting up our own motor vehicle workshop complementary to our new and pre-owned motor vehicles sales where sales-related and after-sales workshop services are offered to new and pre-owned motor vehicle purchasers.

In light of the above, our Directors are of the view that whilst each of the above product/services offerings is a revenue generating driver, the synergistic effects, in particular from our comprehensive and varied database of customers of the various services, would allow our Group to better improve and enhance our capabilities and capacity as a one-stop motor vehicles solution provider. This, together with our listing status, will in turn allow our Group to effectively compete with the authorised dealers as well as the other parallel-import motor vehicle dealers and increase our market shares in the long run.

SALES OF MOTOR VEHICLES

Our business in the sales of motor vehicles is undertaken principally by our subsidiary, Vincar. We focus primarily on the retail sales of a wide spectrum of Japanese and European branded new parallel-import private and commercial vehicles to individual and corporate customers, who are the end customers. Apart from individual and corporate customers, our customers also include motor vehicle dealers who purchase motor vehicles from us with a view to on-sell to their own customers. Our sales of pre-owned motor vehicles are mainly related to the sales of motor vehicles traded in by our customers, and currently such sales are made mainly to motor vehicle dealers which engage in the retail sales of pre-owned motor vehicles. Among our motor vehicle sales, we mainly sell private

vehicles. In addition, our sales are mostly local sales and occasionally we also conduct export sales to certain overseas customers. For private motor vehicles, we generally place order with our local suppliers, while our new commercial motor vehicles are generally sourced from overseas suppliers.

We set out below our revenue breakdown generated from our sales of new and pre-owned motor vehicles during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
New motor vehicles	119,559	86.7	170,214	86.4	148,566	84.3
Pre-owned motor vehicles	18,357	13.3	26,775	13.6	27,628	15.7
Total motor vehicle sales	137,916	100.0	196,989	100.0	176,194	100.0

We offer various brands and models of motor vehicles to our customers, which are popular motor vehicle brands from Japan and Europe. The following table sets out a breakdown of the total sales by the top five brands as well as their respective contributions to our Group's sales of motor vehicles during the Track Record Period:

Brand	Rank	FY2016		Rank	FY2017		Rank	FY2018	
		S$'000	*%*		*S$'000*	*%*		*S$'000*	*%*
Japanese Brand A	1	48,962	35.5	2	49,098	24.9	2	48,529	27.5
German Brand B	3	29,620	21.5	1	81,855	41.6	1	60,525	34.4
Japanese Brand C	2	37,982	27.5	3	37,369	19.0	3	41,749	23.7
German Brand D	4	3,392	2.5	4	11,265	5.7	4	7,889	4.5
German Brand E	5	1,239	0.9	5	2,586	1.3	5	2,502	1.4
Total		121,195	87.9		182,173	92.5		161,194	91.5

During the Track Record Period, approximately S$121.9 million, S$182.2 million and S$161.4 million, representing approximately 88.4%, 92.5% and 91.6%, respectively of our total sales of motor vehicles was generated from the sales of the top 10 best-selling brands of new motor vehicles in Singapore. For details of the top 10 best-selling brands in respect of new motor vehicles sales, please refer to the section headed "Industry Overview" in this prospectus.

Our sales of motor vehicles includes (i) direct sales of motor vehicles without any financing arrangement or with financing arrangements provided by other financial institutions; and (ii) sales of motor vehicles under our finance lease arrangements. For further details in relation to the provision of motor vehicle financing services by our Group, please refer to the paragraph headed "Business — Motor Vehicle Financing and Insurance Agency Services" in this prospectus. We further set out below the breakdown of motor vehicle sales by (i) direct sales of motor vehicles; and (ii) sales of motor vehicles under our finance lease arrangements for the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Direct sales of motor vehicles	129,934	94.2	192,840	97.9	169,795	96.4
Sales of motor vehicles under our finance lease arrangements	7,982	5.8	4,149	2.1	6,399	3.6
Total motor vehicle sales	137,916	100.0	196,989	100.0	176,194	100.0

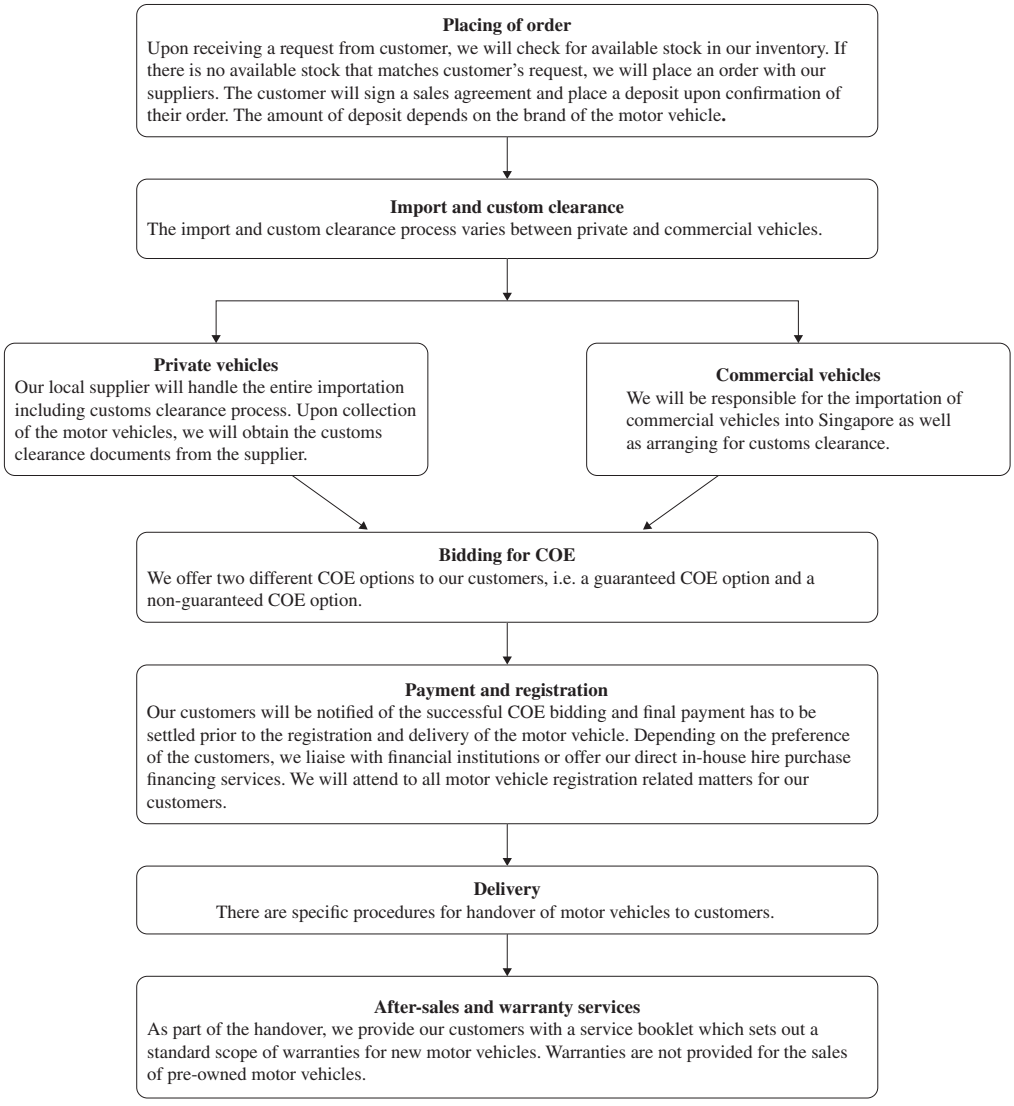
Sales of new motor vehicles

During the Track Record Period, our Group has focused on the retail sales of new parallel-import motor vehicles. Currently, our Group's main showrooms for displaying new motor vehicles are located at Leng Kee Autopoint and The Alexcier.

For our sales of new motor vehicles, we procure motor vehicles from local and overseas suppliers who are mainly wholesalers who generally source directly from motor vehicle manufacturers in Japan and Europe. In connection with the sales of new motor vehicles, we also provide motor vehicle financing and insurance services to our customers so as to make the motor vehicle purchase process as integrated and seamless as possible. For further details in relation to our motor vehicle financing services, please refer to the paragraph headed "Business — Motor Vehicle Financing and Insurance Agency Services" in this prospectus.

Process in relation to our retail sales of new parallel-import motor vehicles business

The following diagram illustrates the typical process of our retail sales of new parallel-import motor vehicles business, from procurement to post-sale, during the Track Record Period.



The details of each step of our motor vehicles sale process are set out below:

Placing of order

Upon receiving a request from customer, we will check if we have available stock of the requested motor vehicle in our inventory. If we do not have available stock, we will order from our supplier. Depending on the availability of stock, the sales and delivery of the motor vehicle may complete within approximately 2 weeks to 6 months. We may also place larger orders for motor vehicles which we believe there will be a high demand for.

We generally require our customers to pay a deposit upon confirmation of their order. The amount of deposit required depends on the brand of the motor vehicle. If the customer cancels the order or otherwise fails to observe or comply with the conditions of the sales agreement (including cancellation of the order by the customer at any time prior to the collection of the vehicle), the deposit will be forfeited. The deposit will also be forfeited if the customer fails to make the final payment and/or take delivery of the motor vehicle. Similarly, our suppliers will require a deposit payment from us.

Our customers will be required to sign a sales agreement once they have confirmed their order. The salient terms of our sales agreements are as follows:

Price and payment:	The purchase price is payable in full before the LTA registration and delivery of the motor vehicle.
Inspection:	The motor vehicle is sold on a "as is, where is" basis. Having been satisfied with the actual state and condition of the motor vehicle (after inspection and testing), the customer shall not be entitled to raise any complaint thereafter.
COE:	We reserve the right to bid for the COE under any category as we deem fit. If we are unable to deliver the motor vehicle for whatever reason, we reserve the right to cancel the sales agreement and subject to the terms of the sales agreement, refund the deposit without further liability.

Delivery and risk:	Any time or date given is as estimate only and we shall not be liable for any damage or loss arising directly or indirectly from any delay in delivery. In the event we are unable to deliver for whatever reason, we reserve the right to cancel the sales agreement and refund the deposit to the customer. Risk or loss or damages of deterioration of the motor vehicle from any cause shall be borne by the customer upon issuance of written notice of delivery.
Insurance:	Unless otherwise expressly stated, we reserve the irrevocable right to effect the necessary insurance coverage for the customer's motor vehicle. We shall be authorised to have the right to act at our sole discretion and the customer agrees to indemnify us from any claims or dispute.
Default and termination:	If the customer fails to take delivery of the motor vehicle or make final payment or is in default of the sales agreement, we may terminate the sales agreement, forfeit the deposit and any other monies received and/or sell or otherwise deal with the motor vehicle as we deem fit.

In addition to the sales agreement, our customers will be required to complete a set of application forms including the prescribed forms from the LTA. Except with our prior consent, we generally do not allow customers to change their order once they have confirmed their order and signed the sales agreement.

Import and customs clearance

For private vehicles, we will generally place the orders with our local suppliers who will arrange for all importation of the private vehicles into Singapore as well as arranging for customs clearance. At the time of delivery of the private vehicles by our supplier, we will also collect the customs clearance documents such as cargo clearance permit from the local suppliers before on-selling to our customers.

In respect of commercial vehicles, we will generally place the orders with our overseas suppliers. We will make payment directly to the overseas suppliers. Upon receipt of our orders from us, our overseas suppliers will arrange for the commercial vehicles to be shipped from its country of origin. We will be responsible for the importation of the commercial vehicles into Singapore as well as arranging for customs clearance in Singapore. Further, our overseas suppliers will arrange for shipment of the commercial vehicles to the Singapore port. We will arrange to obtain the permit and make payment of the processing fee as well as GST to the Singapore Customs.

Bidding for COE

For the purposes of registering a motor vehicle with the LTA in Singapore, our customer must first obtain a COE in the appropriate motor vehicle category.

COEs are released through a COE open bidding system and there are two bidding exercises each month. There is a limit to the number of COEs available for each COE category in each bidding exercise. For further details, please refer to the paragraph headed "Regulatory Overview — Vehicle Quota System and Certificates of Entitlement" in this prospectus.

We assist our customers with the bidding of COE and offer our customers two different COE options, namely a guaranteed COE option and a non-guaranteed COE option. If the customer chooses a guaranteed COE option, a premium will be reflected in the sales price of the motor vehicle.

The two COE options are as follows:

(a) Guaranteed COE option: we will either (i) provide a guaranteed bid for customers (regardless of the number of bids); or (ii) assist in making a number of bids, ranging from one to four bids, from the date of the sales order. Accordingly, under the arrangement in scenario (ii), irrespective of the COE premium and COE category that our sales personnel is able to provide, the COE for the motor vehicle shall be secured within a period of one to two months (depending on the number of bids chosen by our customer, taking into account that there are two bidding exercises each month on the COE open bidding system); and

(b) Non-guaranteed COE option: we will assist in making up to an agreed number of bids from the date of the sales order but we do not guarantee that we will be able to successfully obtain a COE within a stipulated period.

In respect of our guaranteed COE option, since we guarantee to obtain a COE for our customer under any circumstances, in the event the actual cost of the COE is significantly higher than our anticipated COE cost, our profit margins may be eroded. For further details, please refer to the paragraph headed "Risk Factors — Our profit margins may be eroded if we are not able to secure COEs for motor vehicles at an appropriate premium" in this prospectus. Since we review our price lists and adjust the selling prices of our motor vehicles regularly following the results of COE bidding exercises, our Directors are of the view that our gross profit margin would not be significantly affected by the fluctuation in COE premium. Our Directors confirm that, during the Track Record Period, we reported isolated cases where the actual cost of the COE were significantly higher than our anticipated COE cost which led to gross loss in the sales of motor vehicle and the gross loss attributable to these cases had not exceeded 1% of the total gross profit of our motor vehicle sales in each year of the Track Record Period.

On the other hand, if the actual cost of the COE is significantly lower than our anticipated COE cost, our profit margins may increase and in such event, we may grant our customers a rebate at an agreed amount.

Our Group observes the following process in determining the COE bid amount to submit in each round of COE bidding exercise:

(a) The list of COEs required to be obtained will be compiled and submitted to our Chief Executive Officer, Mr. Vincent Tan for his review.

(b) Depending on the number of COEs required and the COE options selected by customers, we will decide on the number of bids to be submitted in the current round and the number of bids to be submitted in the next round.

(c) We will consider different factors to determine the appropriate COE bid amount for each round, including *inter alia*, (i) for each vehicle category, the number of COEs available and the number of bidders in the previous round; (ii) the number of motor vehicles being deregistered as published on LTA's website; (iii) the interval between the current round and the next round; and (iv) the historical movement of COE premiums in the recent bid exercises.

Payment and registration

Our sales personnel will notify our customers upon the successful bidding of COE and we will issue an invoice for the final payment which is required to be settled prior to the registration and delivery of the motor vehicle. We do not offer any credit terms to our customers for purchase of our motor vehicles and payment must be settled prior to registration and delivery of the motor vehicle. For customers who require motor vehicle hire purchase financing, we may either (i) liaise with the preferred financial institution and assist customers to obtain a hire purchase loan; or (ii) offer our direct in-house motor vehicle financing services. We will also assist our customers in taking out motor insurance and registering the motor vehicle. For further details, please refer to the paragraph headed "Business — Motor Vehicle Financing and Insurance Agency Services" in this prospectus.

All motor vehicles in Singapore must be registered with the LTA. In this regard, we will attend to all motor vehicle registration related matters for our customers.

Delivery

We have specific procedures for the handover of our motor vehicles to the customers, which include going through a delivery checklist with our customers. Our staff will also provide instructions and guidance to our customers on operating the motor vehicle and demonstrate features of the motor vehicle to our customers. Our delivery checklist sets out the items, such as manuals and accessories, to be provided to our customers upon delivery of the motor vehicles. In addition, our customers will carry out a pre-delivery inspection on the motor vehicles to ensure that the motor vehicles are in good condition and that all requisite items have been delivered to them before signing off on the delivery checklist. The sales of motor vehicle is complete upon the customer signing the delivery checklist.

If the customer is trading in a pre-owned motor vehicle, we will also examine the vehicle prior to the customer handing over their existing vehicle to us to ensure that the motor vehicle being traded in is in a satisfactory condition. If, on handover, the condition of the motor vehicle has deteriorated since our examination, we will review and may adjust the trade-in value.

After-sales and warranty services

As part of the handover, we provide our customers with a service booklet which sets out the standard scope of warranties for new motor vehicles such as the following:

(a) mechanical and electrical breakdown, for a period from the date of delivery of the vehicle to the customer and expiring upon the earlier of (i) 36 months or 60 months from the date of delivery or (ii) the date on which the mileage on the odometer reaching 60,000 kilometres or 100,000 kilometres (depending on the warranty coverage taken up by the customer);

(b) air-conditioning system breakdown, for a period from the date of delivery of the vehicle to the customer and expiring upon the earlier of (i) 12 months from the date of delivery or (ii) the date on which the mileage on the odometer reaching 20,000 kilometres; and

(c) car body corrosion, for a period from the date of delivery of the vehicle to the customer and expiring upon the earlier of (i) 12 months from the date of delivery or (ii) the date on which the mileage on the odometer reaching 20,000 kilometres.

Repair works which are covered by warranties are generally carried out by an independent motor vehicle workshop. During the Track Record Period, the cost of provision of warranty services amounted to approximately S$250,000, S$272,000 and S$145,000 for FY2016, FY2017 and FY2018, respectively.

Trade-ins of motor vehicles

In connection with our new motor vehicle sale, we offer trade-in options to our customers. In determining the purchase price for the pre-owned motor vehicles to be traded in, we generally take into account, *inter alia*, the current retail price of a brand new motor vehicle of the same make and model, the age of the motor vehicle intended to be traded in and the demand for such make and model of motor vehicle in the second hand market. We have the flexibility of setting and adjusting the purchase price of such used motor vehicles and the subsequent selling price when we on-sell the same motor vehicle to other customers.

Process in relation to motor vehicle sales to motor vehicle dealers

Our process for selling motor vehicles to motor vehicle dealers is similar to the process set out above, save that we do not (i) assist in obtaining COE for such motor vehicles we sell to motor vehicle dealers; (ii) provide any financing or insurance services to motor vehicle dealers; and (iii) provide warranties on such sales. Trade-in is also not available to transactions with motor vehicle dealers.

Sales of pre-owned motor vehicles

Apart from the sales of new motor vehicles, our Group also sells pre-owned motor vehicles. Currently, our Group's main showroom for displaying pre-owned motor vehicles is located at Automobile Megamart on Ubi Avenue. Some pre-owned motor vehicles are also displayed in The Alexcier showroom.

For our sales of pre-owned motor vehicles, trade-ins from our customers currently forms our main source of supply. In the event of trade-ins, we will examine the vehicle prior to the customer handing over their existing vehicle to us to ensure that the motor vehicle being traded in is in a satisfactory condition. During the Track Record Period and up to the Latest Practicable Date, our customers of pre-owned motor vehicles are retail customers and motor vehicle dealers, among which a majority of the sales of such pre-owned motor vehicles are to pre-owned motor vehicle dealers as we have focused our resources in our retail sales of new motor vehicle during the Track Record Period given the abundance in COEs supply during such period. We generally do not provide warranties for pre-owned motor vehicles sold during the Track Record Period.

During the Track Record Period, our average gross profit margin from the sales of pre-owned motor vehicles was approximately -8.9%. Our Group had negative gross profit margin in the sales of pre-owned motor vehicles because (i) our source of pre-owned motor vehicles was mainly through the traded-in motor vehicles from our customers and that we offered favourable trade-in prices to attract customers to purchase new motor vehicles from us; and (ii) we sold the pre-owned motor vehicles mainly to motor vehicles dealers at a lower or even negative profit margin in return for quicker working capital turnover for new motor vehicle sales. In order to improve our profitability in our motor vehicle sales, our Group intends to expand the scale of our pre-owned motor vehicles

sales business in Singapore where we will enhance our efforts in sourcing as well as increase the sales focus to retail customers. For further details, please refer to the paragraph headed "Business — Our Business Strategies — The business strategies — Expanding the scale of our pre-owned motor vehicle sales business in Singapore" in this prospectus.

Pricing policy

The prices of our motor vehicles are generally determined on a cost-plus basis under which a profit margin is added to the cost.

In respect of our new motor vehicle sales, we review our price lists regularly, following the results of COE bidding exercises, and adjust the retail prices and profit margins of our motor vehicles largely in accordance with the extent of fluctuations in COE prices. Apart from COE prices, movements in foreign exchange rates may also affect the selling prices of our motor vehicles. Our selling prices of the new motor vehicles are also based on the assumption that motor vehicle financing and motor insurance will be arranged by us. In the event the customer does not require us to arrange the foregoing, we may under the terms of our sales agreement increase the selling price by 3%.

In respect of the pre-owned motor vehicles, we will consider various factors including the OMV cost, the PARF, the original COE premium, the conditions and prevailing market price of the make and model of the relevant vehicle to determine the appropriate selling price of the pre-owned motor vehicle.

Return policy, product recalls and product liability claims

We have not adopted any return policy whereby customers can return their motor vehicles to us after purchase.

During the Track Record Period, the LTA conducted recall exercises for motor vehicles with defective airbags produced by a Japanese manufacturer and as at 4 August 2016, there were a total of 43 recall exercises involving eight vehicle makes and about 130,000 airbag inflators. For each recall, the manufacturer would normally supply the relevant parts to us and we would bear the labour costs associated with changing such parts. During the Track Record Period, we have incurred immaterial labour costs due to these recall exercises.

Saved as disclosed above, our Directors confirm that during the Track Record Period, there were no material product recalls, returns of motor vehicles sold and product liability claims from our customers.

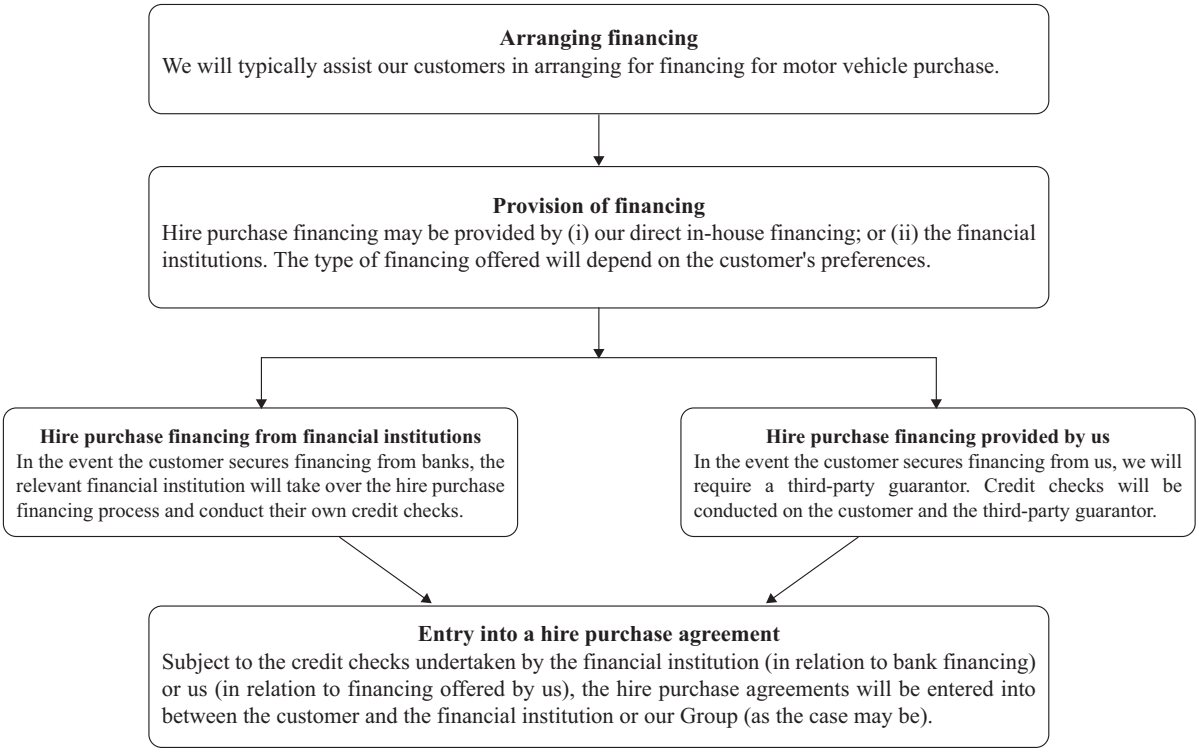
MOTOR VEHICLE FINANCING AND INSURANCE AGENCY SERVICES

We aim to make the motor vehicle purchase process for our customers as integrated and seamless as possible by providing services complementary to our sales business. These services include the provision of motor vehicle financing services and motor insurance agency services.

Motor vehicle financing services

We mainly offer motor vehicle financing services to our customers through two business models, namely: (i) by assisting our customers to obtain financing from financial institutions which include banks in return for commission income from them; and (ii) by providing our direct in-house motor vehicle financing to our customers through hire purchase agreements or finance lease agreements.

The following diagram illustrates the typical process of our motor vehicle financing business:



The details of each step of our motor vehicle financing business are set out below:

Arranging financing from financial institutions

As part of our sales of motor vehicles to our customers, unless the customer expressly informs us that no financing is required, we will typically assist our customers in arranging for financing. If the customer elects to obtain financing from financial institutions, we will assist the customer in the application to the relevant financial institution for a hire purchase loan for the purchase, the approval time of which takes approximately two weeks. In the event the required financing is provided by a financial institution, the relevant financial institution will take over the hire purchase financing process. In return for our services, we receive commission income from the relevant financial institution which typically ranges from 3.0% to 6.0% of the loan amount.

During the Track Record Period, we received approximately S$2.7 million, S$4.0 million and S$3.8 million for FY2016, FY2017 and FY2018, respectively, as commission income from financial institutions, which accounted for approximately 1.9%, 1.9% and 2.1% of the total revenue for the FY2016, FY2017 and FY2018, respectively.

Providing direct in-house financing

We strive to provide to our customers one-stop services by offering direct in-house motor vehicle financing in the event any customer is unable or does not want to seek financing from financial institutions. For all motor vehicle loans extended by us, we will require the loan to be guaranteed by a third party guarantor. As compared to financing from financial institutions, the approval process of our direct in-house financing is simpler and faster and takes within one week to complete.

For the provision of direct in-house motor vehicle financing, we enter into either hire purchase agreements or finance lease agreements with our customers, with the former being the majority of cases. The key difference between hire purchase and finance lease arrangements is that motor vehicles under finance lease arrangements are owned by and registered under our Group which are then leased to our customers for an extended period of time (e.g. four years or more) whereas motor vehicles under hire purchase are registered under the customer.

The hire purchase agreements entered into by our Group are governed by the HPA. Our Group is not required to obtain any specific licence under the HPA for the provision of hire purchase financing to our customers and our hire purchase financing is not subject to MLA and FCA. For finance lease arrangements, save for the requirement to register the motor vehicles as "Private-Hire" with the LTA, the leasing *simpliciter* of motor vehicles to third parties is not governed by the HPA, MLA and the FCA. For further details, please refer to the paragraphs headed "Regulatory Overview — Laws for Carrying On Motor Vehicle Sales Business in Singapore" and "Regulatory Overview — Laws relating to Motor Vehicle Leasing in Singapore" in this prospectus.

During the Track Record Period, we did not enter into any new finance lease agreements with our customers. We are currently focusing on the provision of motor vehicle financing through hire purchase, rather than finance lease, because from our experience, hire purchase financing is more popular among our customers.

In order for us to offer motor vehicle hire purchase financing to our customers, our source of funding was in the form of a block discounting facility from our principal bankers, Malayan Bank Berhad, Singapore Branch and United Overseas Bank Limited. For further details, please refer to the paragraph headed "Business — Secured Financing for Trading Activities" in this prospectus. Upon Listing, we intend to expand the available source of capital for our hire purchase financing business. For further details, please refer to the paragraphs headed "Business — Our Business Strategies" and "Future Plans and Use of Proceeds — Future Plans and Implementation" in this prospectus.

We derive our revenue primarily from the interest charges under the hire purchase agreements with our customers. The interest rates are determined by us and may vary depending on factors which include general market conditions, the interest rates offered by our competitors and the interest rates set out in the block discounting facility taken out by our Group.

The following table sets forth our average balance of finance lease obligations and block discounting, average yield, average interest expense and net interest spread of provision of direct motor vehicle financing business during the Track Record Period.

	Note	**FY2016**	**FY2017**	**FY2018**
Average balance of finance lease obligations and block discounting *(S$'000)*	1	29,396	31,365	32,552
Average yield	2	6.97%	7.09%	7.64%
Average interest expense	3	3.45%	3.55%	3.68%
Net interest spread of financing	4	3.52%	3.54%	3.96%

Notes:

(1) Represents the average balance of beginning and ending finance lease obligation and block discounting for the year.

(2) Calculated by dividing interest income by average balance of finance lease receivables.

(3) Calculated by dividing interest expense on finance leases by average balance of finance lease obligations and block discounting.

(4) Calculated as the difference between average yield and average interest expense on finance lease obligations and block discounting.

If a potential customer approaches us for motor vehicle hire purchase financing, we will use a third party online credit search platform provided by the largest credit information organisation in Singapore to conduct credit checks on the customer and the third party guarantor of their credit rating before deciding whether to proceed with the customer's financing application. The credit search company will provide us with information on the potential customer's credit history, shareholding interests or directorships in any Singapore company and whether he/she is or has been involved in any litigation proceedings or bankruptcy proceedings. The credit checks will also reveal the potential customer's existing credit exposure and default history. Our sales personnel will compile the results of the credit checks, together with the relevant hire purchase financing documents, such as income proof of the customers and their guarantors, bank statements (for companies), the internal payment records and overdue summary for repeat customers etc. will be submitted to our management where our finance manager will first review before presenting to Mr. Vincent Tan for his final approval. The management will determine whether to approve the hire purchase financing as well as the quantum of such financing after considering all the factors including the amount, duration and frequency of the money lending services engaged by the customers, default history of the customers, loan as percentage of car value, the duration of loan and interest rate forecast, etc. During the Track Record Period, our motor vehicle financing customers have a low default rate under the financing arrangements. Our Directors are of the view that our Group has an experienced management team to monitor and review the supporting documents as the management personnel has been actively involved in the hire purchase financing business since the commencement of our provision of direct in-house financing business in 2013.

In relation to the Group's credit risk management policy in extending financing to customers, our management is responsible for the determination of credit limits (including the loan-to-value ratio ("**LTV**")) and credit approvals offered under our hire purchase arrangements. Credit limits are determined on a case-by-case basis. In determining the LTV in extending financing to our customers, our management considers the following factors: (i) the age, make and brand of the motor vehicle to be secured; (ii) the creditworthiness of the borrower and guarantor(s); (iii) the ability of the borrower to service the periodic repayments; and (iv) the existing financing restrictions stipulated by the MAS. Typically, our Group's allowable LTV is between 50% and 70%, depending on the outcome of the consideration by our management as described above.

Our credit checks and our requirement for guarantors may be able to reduce our exposure to credit risk. Being a member of the Hire Purchase, Finance and Leasing Association of Singapore allows us to lodge our interest in motor vehicles financed by motor vehicle hire purchase financing granted by us.

In addition, our management regularly reviews our receivables to ensure that appropriate actions are taken to recover any overdue trade receivables and adequate impairment losses are made for irrecoverable amounts. We will also monitor repayments, issue reminders in respect of late payments and will decide on the appropriate course of action, such as initiating legal proceedings against defaulting customers to recover the debt.

Subject to the results of the credit checks, we would enter into the relevant hire purchase financing agreements with the customer. Generally, the term of our motor vehicle hire purchase financing agreement with customer ranges from approximately one year to seven years.

The salient terms of our hire purchase agreement are summarised below:

Repayment:	The customer is required to make monthly instalment.
Interest:	A pre-determined interest rate is applicable to the loan.
Arrangement fee:	An arrangement fee of a certain percentage of the principal amount is payable if the customer's application for hire purchase financing is successful.
Default interest and late payment charge:	In the event of overdue payment of an instalment, default interest is charged on a daily basis, or such other rate as may be determined by us. In addition, a late payment charge is imposed on overdue payments.
Early settlement charge:	Early settlement is permitted, subject to provision of one month's notice in writing (or one month's interest in lieu thereof) and imposition of additional charges.

In addition, under the Hire Purchase Act, all hire purchase agreements in respect of motor vehicles at a value not exceeding S$55,000 (including excise duties and GST but excluding the cost of COE) must contain certain information as prescribed by the Hire Purchase Act. For further details, please refer to the section headed "Regulatory Overview — Hire Purchase Act" in this prospectus.

As part of our internal credit control efforts, our management will take into account the prevailing financing restrictions stipulated by MAS (including maximum loan-to-value ratio of motor vehicles) as well as the credit check results. Our senior administrative manager will review the hire purchase procedures and proposed interest rates on a monthly basis. Further, our finance department will monitor repayments and issue reminders in respect of late payments. Summary reports of overdue payments will be generated on a weekly basis for our management's follow-up and yearly statements of account are also sent to our customers. We will decide on the appropriate course of action including initiating legal proceedings against the customers in default, taking into account the

duration of the default, the frequency of defaults, the cost of enforcement and the likelihood of recovery. Our finance manager will on a monthly basis, review the recoverability options in respect of long overdue payments. Further, in the event the potential recovery is lower than the outstanding amount, a report will be provided to our Executive Directors to consider whether impairments are necessary for our accounts.

The above procedures will also be reviewed by our Executive Directors quarterly to ensure the effectiveness of these procedures and to consider whether such procedures need to be updated and improved. Our Group has been providing hire purchase services since 2013 and our Directors are of the view that the continuous involvement by our management in the hire purchase business has equipped them with the necessary expertise and experience in evaluating the creditworthiness of our customers after taking into account the previously mentioned factors.

During the Track Record Period, our Group experienced two, eight and three cases on payment defaults in relation to our direct in-house motor vehicle financing services in FY2016, FY2017 and FY2018, respectively. The total outstanding balances of these cases were approximately S$184,000, S$803,000 and S$242,000 for FY2016, FY2017 and FY2018, respectively, and the default rate of these cases were approximately 0.7%, 2.8%*(Note)* and 0.9%, respectively for the corresponding years. In relation to the past instances of overdue payments, our Group would take steps to repossess the motor vehicle if these payments remain outstanding after the issuance of multiple late payment reminders and/or notice of repossession. The amount of payments recovered subsequently for these default cases was approximately S$176,000, S$771,000 and S$191,000 for the default cases in FY2016, FY2017 and FY2018, respectively. We did not extend or revise any repayment schedules or dates during the Track Record Period. Our Directors confirm that, no provision was made for the shortfalls in such default payments due to the immateriality of such shortfall.

The total revenue contributed by our direct motor vehicle financing business to our Group during the Track Record Period amounted to approximately S$1.9 million, S$2.0 million and S$2.1 million for FY2016, FY2017 and FY2018, respectively, which accounted for approximately 1.3%, 1.0% and 1.1% of our total revenue for the corresponding years.

Note: During FY2017, our Group had recorded a comparatively high default rate. Among the eight default cases reported for FY2017, four cases related to one corporate customer and, to the best of our Directors' knowledge, were due to dispute among the shareholders of such corporate customer. Should these four cases be treated as one single case, the number of default cases would be comparable to that of FY2016. Nevertheless, the average outstanding balance of such default cases in FY2017 was higher than that for FY2016 and FY2018.

Motor insurance agency

Our motor insurance agency services are delivered through our subsidiary, Vincar, which is registered with the GIA as an agent of certain reputable insurance institutions. Mrs. Marisa Tan and Ms. Ng are the appointed nominee agents.

We will assist our customers in obtaining the appropriate policies with the relevant insurance institutions in return for commission income.

During the Track Record Period, we received commission income from insurance institutions of approximately S$434,000, S$370,000 and S$380,000 for FY2016, FY2017 and FY2018, respectively.

SECURED FINANCING FOR TRADING ACTIVITIES

In order to finance our business, we have taken out various loan facilities and lines of credit from our principal bankers, Malayan Bank Berhad, Singapore Branch and United Overseas Bank Limited, including floor stocking facilities, letters of credit, trust receipt financing, OCOE facilities, term loan facilities, overdraft facilities and revolving credit facilities. The borrowings under these loans are secured by various types of security, including mortgages over our properties at The Alexcier, charges over assets and assignments of proceeds, and our Company will also give a corporate guarantee upon Listing, to replace the personal guarantee previously provided by Mr. Vincent Tan.

For further details, please refer to the paragraph headed "Financial Information — Indebtedness" in this prospectus.

LEASING OF MOTOR VEHICLES

Our motor vehicle leasing business is carried out principally by our subsidiary, VLR. We offer motor vehicle leases of various durations, usually ranging from within one year to seven years.

Motor vehicle leasing

The motor vehicles used in our leasing business are generally sourced from our new car purchase customers who are minded to trade in their existing cars.

Motor vehicles used in our motor vehicle leasing business are insured against typical risks categories such as: (i) third party risks and liabilities; (ii) third party property damage; (iii) damage to the motor vehicle; and (iv) loss or theft of the motor vehicle. The premium for such insurance policies taken up by us will be borne by us. The customers shall be solely responsible for any excess or top-up premium incurred as a result of any claim for accidents happened during the lease period for whatsoever reason.

Types of motor vehicle leases

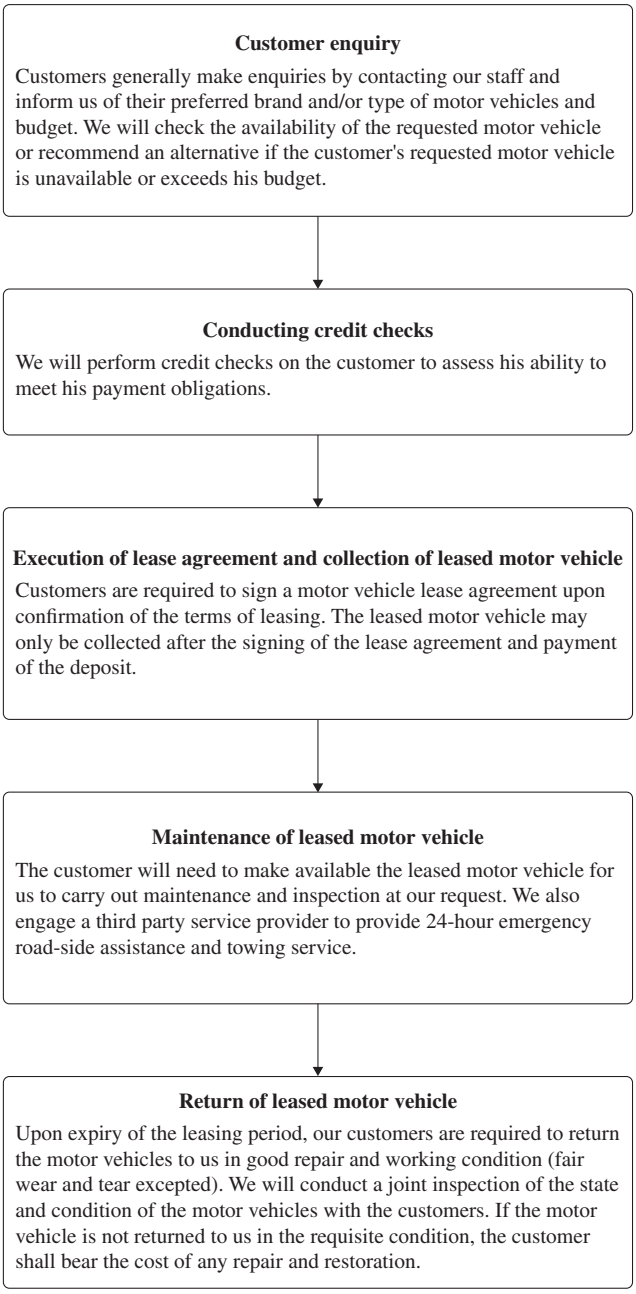
Our types of motor vehicle leases include: (i) standard car leases; and (ii) private-hire car leases.

Our standard car lease customers comprise both corporates and individuals. Corporate customers include those who may have leasing needs for their business operations or for their employees. Such customers are allowed to use their leased motor vehicles for domestic, social and business purposes, but they cannot use the leased motor vehicles for ride-sourcing services and are not allowed to use the leased motor vehicles for driving tuition, towing, motor sport competition or racing, pace-making or illegal purposes.

Our private-hire car lease customers comprise individuals who use the motor vehicles to provide ride-sourcing services through private-hire car booking service operators.

Process in relation to our motor vehicle leasing business

The following diagram illustrates the typical leasing process in our motor vehicle leasing business:



The details of each step of our motor vehicle leasing business are set out below:

Customer enquiry

Generally, our customers make enquiries by contacting our staff and inform us their preferred brand and/or type of motor vehicle and budget. Our staff will then check on the availability of the requested motor vehicle type. If the requested motor vehicle is unavailable or beyond the customer's budget, our staff may recommend an alternative motor vehicle for the customer's consideration.

Conduct credit checks

Once the customer has confirmed the motor vehicle to be leased, we will perform credit checks on the customer in order to assess the customer's ability to meet his payment obligation timely before deciding whether to conclude the lease with the customer. Depending on the credit rating of the customer, we will decide whether to lease the motor vehicle to the customer.

Execution of lease agreement and collection of leased motor vehicle

Customers are required to sign a motor vehicle lease agreement with us upon confirmation of the terms of leasing. Typically, upon signing of the motor vehicle lease agreement, we will require the customer to pay a deposit. This deposit is refundable at the end of the motor vehicle lease term, subject to the timely return of the motor vehicle in a satisfactory condition and the customer having fully discharged all of his obligations. The leased motor vehicle may be collected by the customer only after the leasing agreement has been signed and that the requisite deposit has been paid.

The terms of the agreement for both standard car leases and private-hire car leases are generally similar and are *inter alia*, summarised as follows:

Payment of rental:	The first rental payment must be made on or before the commencement of the lease and all subsequent payments must be made at the start of each month (for standard leases) or week (for private-hire car leases).
Default interest:	If any payment is not made within (i) seven days from its due date (for standard car leases); or (ii) 48 hours from its due date (for private-hire car leases), default interest is charged on the outstanding amount at a monthly rate of 1.5% (for standard car leases) and 2% (for private-hire car leases).

Termination: The motor vehicle lease may be terminated by the customer by giving us one month's notice in writing in accordance with the respective lease agreements. For termination by the customer, early termination compensation is payable and the amount of such compensation will depend on the duration of the remaining term of the motor vehicle lease.

At the time of collection of the leased motor vehicle, the customer will be required to inspect the leased motor vehicle, notify us of any defects found and state such defects on the inspection checklist. If the customer fails to inspect the leased motor vehicle or record any defects, the leased motor vehicle will be deemed to be delivered and accepted in good repair and working condition.

Maintenance of leased motor vehicle

There is no fixed schedule for maintenance service of our leased motor vehicles. At our request, the customer shall make the leased motor vehicle available for us to carry out maintenance and to inspect and examine its condition. To facilitate the maintenance of the vehicle, we provide a free collection and delivery service, save that the cost of petrol used in ferrying the leased motor vehicle to and from the workshop will be borne by the customer.

Customers are responsible for maintaining the leased motor vehicle in good repair and working condition in general (fair wear and tear excepted). However, if any repair or replacement is necessary due to the negligent use or abuse of the vehicle, the customer will be required to bear the cost of such repair or replacement. The customer is not allowed to carry out any repairs on the leased motor vehicle and we are not responsible for the consequences of any such repairs. The customer is also not allowed to make any modification to the leased motor vehicle.

We also provide, through a third party service provider, a 24-hour emergency breakdown and towing service at no extra cost, in the event the leased motor vehicle breaks down or is involved in any accident in Singapore.

If a leased motor vehicle becomes temporarily unroadworthy (other than as a result of accident, theft or vandalism), and it is impracticable or inexpedient to repair any damage to the leased motor vehicle, we will make available a replacement vehicle in Singapore. Such replacement vehicle may not necessarily be of the same type and age.

Return of leased motor vehicle

Upon expiry of the leasing period, our customers are required to return the motor vehicles to us in good repair and working condition (fair wear and tear excepted). Prior to the physical return of the leased motor vehicles, we will go through a return process involving a joint inspection of the state and condition of the motor vehicles between our group and our customers. If the leased motor vehicle is not returned to us in the requisite condition, the customer shall be responsible for the cost of restoration, which may be set-off against the deposit refundable to the customer.

Insurance of leased motor vehicles

We take out motor insurance for both standard leased cars and private-hire cars.

Payment arrangements in relation to private-hire cars

The hirers for private-hire cars are responsible for making rental payment to us. Nevertheless, some hirers would make payment to us through the ride hiring corporates. In such circumstances, we will collect their takings on their behalf and return the remaining amount (after deducting the rental payment) to the car hirers.

Pricing policy

The rental of our leased motor vehicle is determined by applying a rate of depreciation (based on the duration of the lease term) to the cost of the motor vehicle and including a buffer for outgoings borne by us in relation to the motor vehicle such as road tax and other regulatory charges, insurance expenses and maintenance costs.

CUSTOMERS

Given the nature and focus of our sales business, our motor vehicle sales customers are typically individual or corporate clients who are the end customers, though we also have customers who are motor vehicle dealers who purchase motor vehicles from us and on-sell to their customers. Our sales customers are based either locally or overseas, and our sales are mostly local sales and occasionally we also conduct export sales to certain overseas customers.

We set out below the breakdown of revenue generated through sales of motor vehicle business by the type of customers during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Individual and corporate customers	109,299	79.3	155,645	79.0	115,204	65.4
Motor vehicle dealers	28,617	20.7	41,344	21.0	60,990	34.6
Total motor vehicle sales	137,916	100.0	196,989	100.0	176,194	100.0

Our motor vehicle leasing customers comprise both individuals and corporates. Our corporate customers include those who may have needs for their business operations or for their employees. We also lease to individuals who use the motor vehicles to provide ride-sourcing services through private-hire car booking service operators.

During the Track Record Period, we generally did not offer any credit term to our customers. Our Group may, however, at times extend the repayment period for certain corporate customers and motor vehicle dealers based on (i) the size of order; (ii) our relationship with the customer; and (iii) our assessment of the reputation and creditworthiness of the customer. In respect of motor vehicle hire purchase financing and motor leasing, rental is payable by instalments.

The trade receivable turnover days were approximately nine days, nine days and 12 days for FY2016, FY2017 and FY2018, respectively. For further details, please refer to the paragraph headed "Financial Information — Analysis of Selected Components of Combined Statements of Financial Position — Trade and other receivables — Trade receivables" in this prospectus.

Our Directors consider that no single customer was material to our business operations during the Track Record Period, as the revenue attributable to our five largest customers accounted for less than 30% of our total revenue in each of the periods during the Track Record Period.

PROCUREMENT, PURCHASES AND SUPPLIERS

We procure motor vehicles from local and overseas suppliers who are mainly wholesalers who generally source directly from motor vehicle manufacturers in Japan and Europe. Our suppliers also include individual and/or corporate customers who trade-in their used cars with us at the same time as they purchase new motor vehicles from us. Although our Group has the ability and network to source directly from overseas suppliers, our Group generally purchases private vehicles from local suppliers, considering that (i) our local suppliers, who are mainly wholesalers, can purchase in bulk from their overseas suppliers with greater discounts and also benefit from economies of scale in terms of the costs associated with the import process which reduces the average import cost of each motor vehicle; (ii) dealing with the overseas suppliers directly requires intensive capital, relatively time consuming and the risks associated with such dealings; and (iii) our Group focuses on retail sales and it is not economical or cost efficient to engage in the import process which requires considerable time and manpower to handle all the paper work involved. In respect of commercial vehicles, we will generally place orders with our overseas suppliers directly and import on our own as (i) our Directors are of the view that most commercial vehicle models may not be widely popular and hence may not be typically available among our local suppliers; and (ii) the import process of commercial vehicles is relatively simpler as less paperwork is involved in LTA submissions.

The table below sets out the details of our five largest suppliers, all of which are Independent Third Parties, during the Track Record Period:

For FY2016

Rank	Supplier	Amount	% of total purchase cost of motor vehicles	% of total cost of sales	Approximate years of business relationship
		S$'000			
1.	Supplier A [(1)]	49,314	64.1	38.2	4
2.	Supplier B [(2)]	9,217	12.0	7.1	6
3.	Supplier C [(3)]	1,241	1.6	1.0	4
4.	Supplier D [(4)]	1,111	1.4	0.9	4
5.	Supplier E Group [(5)]	996	1.3	0.8	8
	Total purchase cost of motor vehicles from our five largest suppliers	**61,879**	**80.4**	**48.0**	

Notes:

(1) Supplier A is a partnership registered in Singapore principally engaging in trading, repair and maintenance of motor vehicles. One of the partners who is also a director of Supplier A was previously employed by Supplier B.

(2) Supplier B is a sole proprietorship registered in Singapore principally engaging in motor vehicles trading. Supplier B was deregistered in Singapore on 7 March 2018. The sole proprietor of Supplier B, due to personal reasons, switched his business focus to real estate industry.

(3) Supplier C is a private limited company incorporated in Singapore principally engaging in motor vehicles trading.

(4) Supplier D is a private limited company incorporated in Japan principally engaging in motor vehicles trading.

(5) Supplier E Group comprises three entities incorporated in the United Kingdom under common control and principally engages in motor vehicles trading and leasing.

For FY2017

Rank	Supplier	Amount	% of total purchase cost of motor vehicles	% of total cost of sales	Approximate years of business relationship
		S$'000			
1.	Supplier A [(1)]	66,805	60.7	36.5	4
2.	Supplier C [(2)]	7,360	6.7	4.0	4
3.	Supplier F [(3)]	3,486	3.2	1.9	7
4.	Supplier B [(4)]	780	0.7	0.4	6
5.	Supplier G [(5)]	707	0.6	0.4	3
	Total purchase cost of motor vehicles from our five largest suppliers	**79,138**	**71.9**	**43.2**	

Notes:

(1) Supplier A is a partnership registered in Singapore principally engaging in trading, repair and maintenance of motor vehicles. One of the partners who is also a director of Supplier A was previously employed by Supplier B.

(2) Supplier C is a private limited company incorporated in Singapore principally engaging in motor vehicles trading.

(3) Supplier F is a private limited company incorporated in Singapore principally engaging in wholesale of motor vehicles. Supplier F also engages in retail sales of motor vehicles in Singapore.

(4) Supplier B is a sole proprietorship registered in Singapore principally engaging in motor vehicles trading. Supplier B was deregistered in Singapore on 7 March 2018. The sole proprietor of Supplier B, due to personal reasons, switched his business focus to real estate industry.

(5) Supplier G is a private limited company incorporated in the United Kingdom principally engaging in sales of new cars and light motor vehicles.

For FY2018

Rank	Supplier	Amount	% of total purchase cost of motor vehicles	% of total cost of sales	Approximate years of business relationship
		S$'000			
1.	Supplier A (1)	79,913	71.4	49.0	4
2.	Supplier C (2)	15,546	13.9	9.5	4
3.	Supplier H (3)	3,352	3.0	2.1	1
4.	Supplier I (4)	790	0.7	0.5	1
5.	Supplier J (5)	560	0.5	0.3	1
	Total purchase cost of motor vehicles from our five largest suppliers	**100,161**	**89.5**	**61.4**	

Notes:

(1) Supplier A is a partnership registered in Singapore principally engaging in trading, repair and maintenance of motor vehicles. One of the partners who is also a director of Supplier A was previously employed by Supplier B.

(2) Supplier C is a private limited company incorporated in Singapore principally engaging in motor vehicles trading.

(3) Supplier H is a private joint stock company incorporated in Japan principally engaging in trading of motor vehicles and auto parts.

(4) Supplier I is an individual who traded in a used car to us.

(5) Supplier J is an individual who traded in a used car to us.

During the Track Record Period, our Group's five largest suppliers contributed approximately 80.4%, 71.9% and 89.5% to our Group's total purchase cost of motor vehicles, while the largest supplier accounted for approximately 64.1%, 60.7% and 71.4% of our Group's total purchase cost of motor vehicles, for FY2016, FY2017 and FY2018, respectively. Our Group's five largest suppliers contributed approximately 48.0%, 43.2% and 61.4% to our total cost of sales, while the largest supplier contributed approximately 38.2%, 36.5% and 49.0% to our total cost of sales, for FY2016, FY2017 and FY2018, respectively.

To the best of our Directors' knowledge, our five largest suppliers during the Track Record Period who are local suppliers are primarily engaged in wholesale trade of motor vehicles which typically focus on the sales of motor vehicles to motor vehicles dealers while our Group focuses on retail sales directly to retail customers. Our Directors are therefore of the view that the extent of competition between our Group and our suppliers is not significant and will not materially affect our Group's business and financial performance.

With respect to Supplier B's deregistration in March 2018, as (i) we have been placing less reliance on Supplier B's motor vehicle supply during the Track Record Period; (ii) we have not purchased any motor vehicle from Supplier B since June 2017; and (iii) the purchases from Supplier B contributed to only approximately 0.7% of our Group's total purchase cost of motor vehicles for FY2017, our Directors are of the view that the deregistration of Supplier B will not materially affect our Group's business operations and financial position subsequent to the Track Record Period.

No formal sales agreements were entered into between our Group and our suppliers. Our purchase of motor vehicles is conducted by way of purchase invoices and/or orders which we place with our suppliers from time to time. During the Track Record Period, our top five suppliers did not offer any credit term to our Group, and we were generally required to pay a deposit at the time of placing the order and settle the balance payment upon delivery of the motor vehicles. Nevertheless, there are situations where the payment schedule with these suppliers may be adjusted upon mutual agreement. We normally settle payments by bank transfer with our top five suppliers. The trade payable turnover days were approximately six days, four days and nine days for FY2016, FY2017 and FY2018, respectively. For further details, please refer to the paragraph headed "Financial Information — Analysis of Selected Components of Combined Statements of Financial Position — Trade payables" in this prospectus.

Pursuant to the terms of our sales agreement for new parallel-import motor vehicles, we provide our customers with warranties which are set out in a service booklet provided to them. However, our suppliers generally do not provide us with any warranties. This mismatch in the terms of sales between our purchase and our sales essentially means we shall bear the costs of the warranty services provided to our customers which in turn we are not able to claim the same from our suppliers. For details of the provisions made in our accounts for warranties, please refer to "Financial Information — Analysis of Selected Components of Combined Statements of Financial Position — Accruals and other payables and receipt in advance" in this prospectus.

The frequency and size of our purchase orders may also fluctuate depending on our customers' demands and preferences. From time to time, we engage in the trade of motor vehicles with other motor vehicle dealers if they carry a specific model or colour of motor vehicles which we do not carry but is requested by our customers.

When selecting our suppliers, we take into account: (i) the reliability of such suppliers; (ii) our working relationship with them; (iii) the price of the motor vehicles offered by our suppliers; and (iv) our assessment on whether such suppliers are well-established. During the Track Record Period, we maintained good working relationship with our suppliers and did not have any material disagreement or dispute with any of our suppliers.

As at the Latest Practicable Date, we have not entered into any long-term agreements with our suppliers. To the best knowledge and belief of our Directors, none of our suppliers deals exclusively with our Group and there is no exclusivity arrangements with any of our suppliers.

None of our Directors, their respective associates or any Shareholder who owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

Save for the past employment relationship between Supplier B and a director of Supplier A as disclosed above and the business relationship between our Company and our Group's five largest suppliers, our Directors confirm that, to their best knowledge and belief, our Group's five largest suppliers during the Track Record Period (or their respective shareholders and directors) do not have any other past or present relationship (including, without limitation, employment, business or trust relationship) with our Company, its subsidiaries, shareholders, directors, senior management or any of the other suppliers of our Group or any of their respective associates.

Supplier concentration

During the Track Record Period, our five largest suppliers contributed approximately 80.4%, 71.9% and 89.5% to our Group's total purchase cost of motor vehicles for FY2016, FY2017 and FY2018, respectively. In particular, our largest supplier contributed approximately 64.1%, 60.7% and 71.4% to our Group's total purchase cost of motor vehicles for FY2016, FY2017 and FY2018, respectively. As such, we are subject to risks of heavy reliance on these major suppliers. For further details, please refer to the paragraph headed "Risk Factors — Risk Relating to our Business — We rely on our suppliers for the supply of motor vehicles for our business" in this prospectus.

Despite the substantial amount of purchases from our five largest suppliers, our Directors consider that we are not relying heavily on any single supplier and our business model is sustainable and that we are capable of maintaining our revenue in the future after taking into account the following factors:

- We have been in the motor vehicle dealership industry in Singapore for almost 30 years. Over the years, we have developed and maintained good relationships with our suppliers. In particular, our business relationship with our five largest suppliers ranges from one year to eight years.

- According to the CIC Report, among the 30 to 40 parallel-import motor vehicle dealers in Singapore who purchase their supplies directly from overseas dealers or traders, only 10 to 20 of them will participate as wholesaler and further wholesale the motor vehicles to downstream motor vehicle dealers or retailers. With such concentration of suppliers engaging in motor vehicle wholesaling in Singapore, our Directors believe that the risk of reliance on these major suppliers is not specific to us as a motor vehicle dealer who focuses on retail sales.

- The reason that our largest supplier contributed approximately 64.1%, 60.7% and 71.4% to our Group's total purchase cost of motor vehicles for FY2016, FY2017 and FY2018, respectively was mainly because our Directors believe that these suppliers offer better services. However, even without these suppliers, our Directors believe that we would still have alternative suppliers who would be able to source motor vehicles at comparable prices.

OVERLAPPING CUSTOMERS-SUPPLIERS

During the Track Record Period, there have been occasions where our suppliers have also purchased motor vehicles from us, making them our customers as well. Likewise, there have also been occasions where our motor vehicle sales customers have also sold motor vehicles to us, making them also our suppliers. Such occasions would generally include the following scenarios: (i) trade-ins of motor vehicles; and (ii) non trade-in transactions where, our Directors believe that, other fellow motor vehicle dealers purchase motor vehicles from us to meet the demand of their customers when they run out of inventory for a particular model or colour of motor vehicle (and we have also on occasion purchased motor vehicles from other fellow motor vehicle dealers for the same reason) which our Directors consider is an industry norm.

There were five, seven and one non trade-in overlapping customer-supplier for FY2016, FY2017 and FY2018, respectively. For FY2016, FY2017 and FY2018, two (Supplier A and Supplier B), three (Supplier A, Supplier C and Supplier F) and none of our five largest suppliers was/were also our customer(s) during the respective years. For the background of Supplier A, Supplier B, Supplier C and Supplier F, please refer to the paragraph headed "Procurement, Purchases and Suppliers" in this section for details.

The table below sets out the (i) total sales (the motor vehicle may or may not be supplied by the same customer-supplier); (ii) the relevant cost of sales; and (iii) the average gross profit margin ("**GPM**") attributable to all the overlapping customers-suppliers during the Track Record Period:

	FY2016	FY2017	FY2018
Total sales to overlapping customers-suppliers *(S$'000)*	4,295	8,089	2,170
Relevant cost of sales *(S$'000)*	3,953	7,464	2,162
Average GPM	8.0%	7.7%	0.4% *(Note)*
% of sales to total motor vehicle sales	3.1%	4.1%	1.2%

Note: The drop in FY2018 was mainly due to the sales of pre-owned motor vehicles which were normally sold at lower gross profit margin, as compared to FY2016 and FY2017, the majority of which were sales of new motor vehicles.

In view of the practice of other fellow motor vehicle dealers purchasing motor vehicles from us to meet the demand of their customers when they run out of inventory for any particular vehicle, there had been incidents that we were selling the same vehicle to the dealer who had previously supplied that particular vehicle to us. During the Track Record Period, the sales and purchases of same motor vehicle from the same customer-supplier were mostly from Supplier A, as Supplier A is our largest supplier and the purchases from Supplier A have accounted for approximately 64.1% and 60.7% of total purchase cost of motor vehicles for FY2016 and FY2017, respectively. The table below sets out (i) total sales attributable to the overlapping customers-suppliers where the sales of motor vehicle is supplied by the same customer-supplier; (ii) the relevant cost of sales; and (iii) the average GPM during the Track Record Period:

	FY2016	FY2017	FY2018
Total sales amount where sales and purchase of the same motor vehicle are from the same customer-supplier *(S$'000)*	2,529	2,319	—
Relevant cost of sales *(S$'000)*	2,262	2,107	—
Average GPM	10.6%	9.1%	—
% of sales to total motor vehicle sales	1.8%	1.2%	—

Our Directors confirm that, save for trade-ins, all of our sales to and purchases from customer-supplier whether it relates to the sale and purchase of the same or different motor vehicles, were incidental transactions, were not inter-conditional, inter-related or otherwise considered as one transaction. To the best information and knowledge of our Directors, our customers-suppliers are Independent Third Parties and none of our Group's customers-suppliers has any past or present relationships with our Group, our shareholders, Directors, senior management, employees or their respective associates during the Track Record Period and up to the Latest Practicable Date.

Considering the retail focus of our Group in motor vehicle sales, our Directors are of the view that the sales to overlapping customers-suppliers, in particular, the non trade-in transactions with other fellow motor vehicle dealers, are insignificant to our Group's performance as a whole. Our Directors have confirmed that all of our transactions with our customers-suppliers during the Track Record Period were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

INVENTORY MANAGEMENT

We manage our inventory of motor vehicles by monitoring the movement of our motor vehicles in and out of stock. We aim to ensure optimum levels of inventory as excessive inventory would cause us to incur unnecessary additional costs especially if we need to find additional space to store our inventory.

Motor vehicles held as inventories for sale are valued periodically. Our management team determines the net realisable value of slow-moving inventories by applying judgments and certain assumptions as detailed in the paragraph headed "Financial Information — Basis of Presentation — Net realisable value of inventories" in this prospectus.

Our inventory is stored at our showrooms and the carpark areas at 201 Henderson Road and 11 Chang Charn Road in Singapore.

QUALITY CONTROL

As part of our Group's quality control measures for our business, we are committed to adhere to and continually improve our quality management system to ensure that we are able to consistently meet our customers' expectations and comply with prescribed safety standards.

Prior to the delivery of motor vehicles to our customers, our staff will generally carry out a pre-delivery inspection exercise by conducting a thorough check on each motor vehicle. After determining that the condition of the motor vehicle is satisfactory, we will then deliver the motor vehicles to our customers.

Any customer complaints will first be handled by our trained sales staff. If the complaint cannot be resolved at the first instance, the matter will be escalated to our senior management.

PRODUCT LIABILITY

Our Directors confirm that, during the Track Record Period, there was no product liability claims from the customers in relation to the motor vehicles we sold or leased out.

RESEARCH AND DEVELOPMENT

Our Group did not carry out any research and development activities during the Track Record Period. However, we will continue to seek opportunities to expand our business, including monitoring the motor vehicle market, analysing customer demand and behaviour and assessing the performance and practices of our competitors.

SEASONALITY

Our Group's revenue was not subject to seasonality during the Track Record Period.

SALES AND MARKETING ACTIVITIES

The sales and marketing activities of our business are overseen by our Head of Marketing and Communications, Mrs. Marisa Tan. For further details, please refer to the section headed "Directors and Senior Management" in this prospectus.

We currently have three showrooms and they are currently located at Leng Kee Autopoint, The Alexcier and the Automobile Megamart on Ubi Avenue, all of which are in areas known to be motor vehicle dealership hubs in Singapore. Our showroom at The Alexcier displays mainly Japanese and European branded new motor vehicles, and some pre-owned motor vehicles, while our other showroom at the Automobile Megamart on Ubi Avenue displays mainly pre-owned motor vehicles, and some new motor vehicles.

Given the retail focus of our sales business, we have dedicated our attention and resources towards enhancing our brand awareness and visibility in Singapore. In this respect, in August 2010, we embarked on a branding exercise and engaged the services of a branding and marketing agency to assist and advise us on the design of our trade mark and website as well as our branding strategy. Our marketing efforts also include advertising on motor vehicle websites such as the website of SGcarmart where we list out the make and model of new and pre-owned motor vehicles that we sell and participating in and sponsoring promotional events such as road shows and charity golf tournaments. We also have our own social media platforms which will be updated from time to time as part of our online marketing efforts. We will continue to look out for similar opportunities that will help raise our Group's profile, presence and brand awareness.

We intend to invest in sales and marketing activities so as to further enhance our Group's profile. For further details, please refer to the paragraph headed "Business — Our Business Strategies — The business strategies — Enhancing our branding, sales and marketing efforts" in this prospectus.

POSSIBLE DETERIORATION IN BUSINESS AND FINANCIAL PERFORMANCE AS A RESULT OF THE EXPECTED DOWNWARD INDUSTRY TREND FOR NEW MOTOR VEHICLE SALES FROM 2018 TO 2023

According to the CIC Report, COE quota experienced a surge between 2014 and 2017 from approximately 30,000 units in 2014 to approximately 89,000 units in 2017, driven by the increasing number of motor vehicle replacement during the period and therefore our Group's business and financial performance had benefited from such growth in the new motor vehicle sales industry during the same period. For FY2016 and FY2017, our Group's total revenue amounted to approximately S$144.4 million and S$204.9 million, respectively, representing a growth of approximately 41.9% in FY2017. Our Group's net profit increased to approximately S$8.0 million in FY2017, representing a growth of 72.5% for FY2017. As the replacement of existing motor vehicles reaching its peak in FY2017 was commensurate with the supply of COEs attaining the peak of the COE cycle, coupled with the expected decline in the number of close-to-expiring COEs, LTA had started to reduce the COEs quota steadily from 2018 and the number of new registrations for private vehicles is expected to decrease accordingly from 2018 to 2023. According to the CIC Report, it is expected that the COE quota will drop by almost 50% from approximately 89,000 units in 2017 to approximately 45,000 units in 2022 and that the number of new motor vehicle registration will drop by over 50% from approximately 112,000 units in 2017 to approximately 57,000 units in 2023. Correspondingly, the new motor vehicle sales from parallel-import motor vehicle dealers will drop from approximately S$3.5 billion in 2017 to approximately S$2.2 billion in 2023 at a CAGR of approximately -7.5% and an adverse effect in the market for new motor vehicle sales in Singapore is therefore anticipated. For further details in relation to the market conditions of new motor vehicles sales, please refer to the section headed "Industry Overview" in this prospectus. In light of the fact that during the Track Record Period over 80% of our total revenue was derived from the sales of new motor vehicles, our Group's business and financial performance may be adversely affected by the expected downward industry trend of new motor vehicles from 2018 to 2023.

Notwithstanding the above, our Directors are of the view that our Group's business is sustainable in the long run considering the following:

(a) The projected downward trend for sales of new motor vehicles in Singapore from 2018 to 2023 is attributable to the cyclical pattern of the industry which is affected by the age limits of the motor vehicles and the 10-year validity period of the COEs. According to the CIC Report, recovery in the sales value of new motor vehicles is expected to commence in 2024, and it is projected that the new motor vehicle sales value of parallel import motor vehicle dealers will increase at a CAGR of 15.5% from 2023 to 2027. In particular, although the industry is experiencing the downward trend of the cyclical pattern, the forecast sales value of new motor vehicles of parallel importers in 2023 will be S$2.2 billion, which is greater than that in 2015, being approximately S$2.0 billion. In 2015, our Group recorded net profit of approximately S$4.6 million. Moreover, it is forecasted by the CIC Report that COE quota in 2023 would be approximately two times of the COE quota level in 2013 when the COE quota was the lowest, demonstrating the organic growth of the new motor vehicle industry throughout the decade. Notwithstanding the unfavourable conditions that are expected to drive the sales of new motor vehicles downward from 2018

to 2023, our Directors are of the view that our Group will be able to maintain a profitable operation considering (i) our Group's leading position among the parallel-import dealers in the sales of new motor vehicles industry in Singapore; (ii) our current predominant market share and its expanding trend in the future; (iii) our proven ability to outperform the market as our revenue growth generated from our new motor vehicle sales from FY2016 to FY2017 was of approximately 42.4%, while the year-on-year growth rate of new motor vehicle sales value of dealers in Singapore from 2016 to 2017 was of approximately 13.1% and that the number of new motor vehicles we sold in FY2018 increased as compared with FY2017 while the number of COE quota for 2018 decreased as compared to 2017; (iv) our historical financial performance when the industry cycle reached its bottom between 2012 and 2014 when our Group was able to weather through the downcycle and recorded a net profit of approximately S$0.9 million, S$1.1 million, and S$1.5 million for the years ended 31 December 2012, 2013 and 2014, respectively; and (v) our Group's future plans to diversify our business operations and our continuing efforts on expanding in other business segments in the motor vehicle related industry as set out in the paragraph headed "Our Business Strategies" in this section to improve our profitability as well as to consolidate our market position;

(b) Despite the expected decline in the sales of new motor vehicles from 2018 to 2023, our Directors believe that by enhancing our marketing strategy, our new motor vehicles sales will not be completely eroded, but our Group can also expand our market share in the automotive industry. In March 2018, we commenced the operations of the Leng Kee Autopoint showroom which is located at Leng Kee Road, which is at a more prominent location in the main automotive belt in Singapore as compared to our other showrooms at The Alexcier and on Ubi Avenue. Leng Kee Road is renowned for its congregation of automotive-related business. Our Leng Kee Autopoint showroom now displays premium and high-end motor vehicles, which we believe would augment the branding of our business and strengthen our market position in the long run. The opening of the Leng Kee Autopoint showroom in March 2018 was a milestone to our Group and our Directors believe that it would drive our future business development. Our Directors are of the view that our sales and marketing strategy with the opening of the Leng Kee Autopoint showroom has proven to be successful. Notwithstanding the decrease in total COE quota for Category A, Category B and Category C motor vehicles by approximately 11.9% from 2017 to 2018, our Group sold 1,664 and 581 units of new motor vehicles and pre-owned motor vehicles respectively in FY2018, representing a growth of approximately 9.9% and 6.6% respectively, as compared with 1,514 and 545 units of new motor vehicles and pre-owned motor vehicles respectively, in FY2017. Our Directors believe such increase in sales was mainly contributed by the sales efforts from the commencement of operation of the Leng Kee Autopoint showroom since March 2018. Moreover, we also intend to set up our own motor vehicle workshop in the second half of 2019 within the same building as our Leng Kee Autopoint showroom, i.e. Leng Kee Property. The vicinity of both the Leng Kee Autopoint showroom and our motor vehicle workshop will allow synergies among our motor vehicle sales and workshop businesses. In anticipation of the setting up of our own motor vehicle workshop, we could further market our branding as well as our position as a parallel-import motor vehicle dealer which provides one-stop all-rounded motor vehicle related services including sale, trade-in, financing insurance, repair and maintenance

services. Leveraging on our Listing status as well as our continuing efforts in enhancing our branding, sales and marketing by positioning ourselves as the one-stop motor vehicle solution provider, we believe our Group will be able to further enhance our competitiveness in the motor vehicle dealership market and further increase our market share and enhance our overall businesses and financial performance. For further details, please refer to the paragraph headed "Our Business Strategies" in this section, as well as the paragraph headed "Future Plans and Use of Proceeds — Future Plans and Implementation" in this prospectus;

(c) The potential impact from the anticipated decline in the sales of new motor vehicles in Singapore is not expected to be hard on our Group as we have been actively investing more resources in pre-owned motor vehicles sales business to increase retail sales and opening our own motor vehicle workshop. Our Directors consider that the expansion in our pre-owned motor vehicles sales business is justifiable as the sales volume of pre-owned motor vehicles for dealers in Singapore will show a positive trend between 2017 and 2023 given (i) the historical growth momentum; (ii) the tightening of COE quota from 2018 onwards coupled with the fluctuating and increasing trend of COE premium from 2019 onwards are expected to drive the price-sensitive customers to purchase the pre-owned motor vehicle instead of new ones; (iii) the rapid development of online platforms which simplifies the purchase process of the pre-owned motor vehicle and makes the information more transparent. By building up our pre-owned motor vehicles inventory and devoting more resources in the selling of pre-owned motor vehicle to retail customers where our Group will be able to sell a better gross profit margin as compared to selling to other dealers, our Directors believe that our customers' base will be further expanded and thereby diversifying our revenue base, as well as enhancing our overall profitability. In addition, considering the trend of decreasing number of COEs from 2018 to 2023, it is expected that more aging vehicles will be on the road, which would spur the demand for repair and maintenance services. As such, our future plan of setting up of our own motor vehicle workshop would help to diversify our revenue base as well as our business risk during downward cycle in the sales of new motor vehicle. For details in relation to the industry trend for (i) pre-owned motor vehicle dealership market; and (ii) motor vehicle workshop market, please refer to the section headed "Industry Overview" in this prospectus. Apart from the aforesaid, the development of motor vehicle workshop would also provide synergies to our business of sales of both new and pre-owned motor vehicles which will enhance our profitability. For further details, please refer to the paragraph headed "Our Business Strategies" in this section as well as the paragraph headed "Future Plans and Use of Proceeds — Future Plans and Implementation" in this prospectus. Therefore, our Directors are of the view that the future plan of expanding our sales of pre-owned motor vehicle as well as the opening of a motor vehicle workshop would enhance our Group's profitability and thereby positively contribute to our Group's financial performance in the coming years;

(d) Seeing the profitability and opportunities in our provision of motor vehicle hire purchase financing services, we intend to further expand in this business segment. Taking into account: (i) our capital base will be broadened with the proceeds from the Listing; and (ii) the Listing status and the strengthened financial resources would enable our Group to

obtain better banking facilities at more favourable terms such as enlarged credit limit and lower interest rate, our Group would have greater flexibility and capability and is more readily to provide our direct in-house hire purchase financing services to our customers. This is expected to win over potential customers who require hire purchase financing services, which in turn would also improve our motor vehicle sales business, and hence, increase our overall profitability in the long run. For further details, please refer to the paragraph headed "Our Business Strategies" in this section as well as the paragraph headed "Future Plans and Use of Proceeds — Future Plans and Implementation" in this prospectus; and

(e) Our Group enjoys several competitive strengths including: (i) our established track record in the motor vehicle industry and the strong relationships with our suppliers and customers; (ii) our ability to offer our customers different motor vehicle choices; and (iii) strategically located showrooms and experienced management team. All of these competitive strengths have contributed to our success which allowed us to rank first among the parallel-import motor vehicle dealers in Singapore in terms of the sales volume of new motor vehicles in both 2016 and 2017. In particular, considering (i) our established track record and experienced management team; (ii) our historical performances during the downward cycle in the supply of COEs; (iii) the fact that we have outperformed the market during the Track Record Period as abovementioned; and (iv) we have enhanced our branding and market presence by the strategic establishment of the Leng Kee Autopoint showroom in March 2018 which is expected to further consolidate our market position, our Directors believe that our Group would be more readily to capture any market opportunities and is able to respond promptly to market changes with appropriate business strategies, and hence, thrive or even grow our business in the motor vehicle industry in Singapore in the long run. For further details, please refer to the paragraph headed "Business — Our Competitive Strengths" in this prospectus.

Having considered the above, the Sole Sponsor concurs with our Directors' view that our Group's business is sustainable in the long run.

PROPERTIES AND OTHER FIXED ASSETS

Details of the properties owned by our Group for its business operations as at the Latest Practicable Date are as follows:

Location	Encumbrances (Y/N)	Use of property	Approximate floor area (in square metres)
237 Alexandra Road #01-10-16 The Alexcier, Singapore 159929	Yes *(Note)*	Showroom	858

Note: For purposes of securing of the bank facility undertaken by our Group in favour of Malayan Banking Berhad and United Overseas Bank Limited

Details of the properties leased by our Group for its business operations as at the Latest Practicable Date are as follows:

Location	Use of property	Rental	Duration
		(S$/month)	
24 Leng Kee Road #01–02 Singapore 159096	Showroom	S$65,000	8 February 2018 to 7 February 2021
61 Ubi Avenue 2 #02-16 Automobile Megamart, Singapore 408898	Showroom	S$8,000	1 January 2018 to 31 December 2019
61 Ubi Avenue 2 #02-17 Automobile Megamart, Singapore 408898	Showroom	S$7,000	1 January 2019 to 31 December 2020
1 Chang Charn Road #05-02 OC Building, Singapore 159630	Office	S$5,652.50	1 September 2017 to 31 August 2020
1 Chang Charn Road #05-03 OC Building, Singapore 159630	Office	S$5,652.50	20 December 2017 to 19 December 2020
18 Boon Lay Way #06-103 Tradehub 21 Singapore 609966	Document storage	S$5,000	1 January 2019 to 31 December 2020

The properties used by our Group for car storage purposes as part of its operations as at the Latest Practicable Date are located at: (i) 201 Henderson Road, Apex@Henderson, Multi-storey carpark lots, Singapore 159545; and (ii) 11 Chang Charn Road, Shriro House, Level 1 carpark lots, Singapore 159640. Payments for the use of carpark lots are made by our Group to the carpark operator on a monthly basis.

For further details, please refer to the section headed "Connected Transactions" in this prospectus in relation to our Group's leases of 61 Ubi Avenue 2, #02-16 and #02-17 Automobile Megamart, Singapore 408898 and 18 Boon Lay Way, #06-103 Tradehub 21, Singapore 609966.

As for the lease of 24 Leng Kee Road #01-02, Singapore 159096 by our Group for the purpose of our Leng Kee Autopoint showroom (the "**Premises**"), the landlord of the Premises is Wealth Assets. Our Directors confirm that the terms including the rental under the tenancy agreement with Wealth Assets in relation to the Premises are negotiated on arm's length basis.

To the best of our Directors' knowledge, as at the Latest Practicable Date, there were no defects in title relating to the above properties, and there are no regulatory requirements or environmental issues that may materially affect our use of the above properties and fixed assets, which materially and adversely affect our business. We also have not encountered any disruptions to our business or operations due to any material disputes or claims in relation to the above properties as at the Latest Practicable Date.

COMPETITIVE LANDSCAPE

As our Group's main business is the sales of new parallel-import motor vehicles in Singapore, we are mainly subject to the competitive landscape of the new motor vehicle dealership market in Singapore including both authorised dealers and parallel-import motor vehicle dealers. According to the CIC Report, we ranked 12th by sales volume of new motor vehicle units among all motor vehicle dealers in Singapore and we ranked first among parallel-import motor vehicle dealers in Singapore in both 2016 and 2017 by sales volume of new motor vehicle units. The new motor vehicle dealership market in Singapore is highly competitive with the top 10 motor vehicle dealers accounting for 64.5% market share by sales volume. There are over 50 authorised dealers representing over 40 motor vehicle brands in Singapore. Meanwhile, there are currently around 131 sizable parallel importers, and many more smaller ones operating in Singapore, the sales volume of which accounted for approximately 23.3% in the Singapore motor vehicle dealership market in 2017 and such percentage is projected to increase in the next five years.

The key factors which affect the competitiveness of the motor vehicle dealers include: (i) products and services provided by the dealers; (ii) sales and marketing strategies; and (iii) relationships with the suppliers, such as whether the dealers have bargaining power over the suppliers, which will in turn affect the cost calculations and the bottom line of the dealers. Parallel-importers and authorised dealers compete with each other in terms of, among other things, (i) after-sale support; (ii) variety and workmanship of motor vehicles sold; and (iii) prices. For details of the competitive landscapes in the new motor vehicle dealership market, please refer to the section headed "Industry Overview" in this prospectus.

For our competitive strengths, please refer to the paragraph headed "Business — Our Competitive Strengths" in this prospectus.

WORK SAFETY AND ENVIRONMENTAL MATTERS

During the Track Record Period and up to the Latest Practicable Date, we were in compliance with all applicable work safety and environmental laws and regulations. For further details, please refer to paragraph headed "Regulatory Overview — Workplace Safety and Health Act" in this prospectus. During the Track Record Period, we did not incur material costs in connection with the compliance with the environmental and workplace safety laws and regulations.

As part of our Group's future plans, our Group intends to set up and operate a motor vehicle workshop at the Leng Kee Property and as such we may be subject to certain laws and regulations applicable to motor vehicle workshops in Singapore. For further details, please refer to the paragraph headed "Regulatory Overview — Laws for Carrying on Motor Vehicle Workshop Business in Singapore" in this prospectus.

EMPLOYEES

We believe that our success is attributable to the implementation of our business strategies by our employees. We are committed to recruiting, training and retaining skilled and experienced people throughout our operations in order to better serve our customers. We intend to do so through offering attractive remuneration packages, including basic salary and discretionary bonuses, as well as staff training and career development.

As at the Latest Practicable Date, our Group had a total of 72 employees (not including our Executive Directors). The employees are not unionised. Our employees include Singapore nationals, Singapore permanent residents and Singapore work pass and permit holders. The following table sets out the total number of our employees by function as at the Latest Practicable Date:

Functions	Number of Employees
Management	1
Accounts and Finance	11
Administration	8
Sales	37
Support	15
Total	72

We believe we have a strong working relationship with our employees. Our Directors confirm that, during the Track Record Period, our Group did not experience any significant difficulty in recruiting new employees, nor was there any incidence of strikes, work stoppages or significant labour disputes which significantly affected our Group's operations.

Remuneration

Remuneration to our employees comprises salaries and allowances, sales commissions and bonuses. We generally review the performance of our employees by way of annual appraisals. The results of these reviews are used for the purposes of salary adjustment and promotion consideration.

CPF contributions

Under the CPFA, we are required to pay to CPF monthly in respect of each employee who is either a citizen or permanent resident of Singapore, contributions are made in accordance with the contribution rates prescribed in the CPFA.

Our Directors confirm that the CPF contributions for all staff members are up to date and there has not been any incidents of late or non-payment during the Track Record Period.

Staff training and development

We provide in-house trainings to our staff which aim at updating their product knowledge, as well as improving their technical skills. We may engage an external third party speaker to educate the staff in relation to the updates of the latest car models. Our staff also attend external sales training from time to time.

INTELLECTUAL PROPERTY RIGHTS

We recognise the importance of protecting our trademarks and enforcing our intellectual property rights. Currently, we have registered two trademarks in Singapore and two trademarks in Hong Kong, which our Directors deem material to our Group. Our Group has also registered four domain names. For further details, please refer to the paragraph headed "Statutory and General Information — Further information about our Company's business — 8. Intellectual property rights of our Group" in Appendix IV to this prospectus.

Save as aforesaid, there are no other trade or service marks, patents, copyright, other intellectual or industrial property rights which are material in relation to our Group's business. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringements nor any pending or threatened claims in relation thereto, by us of any intellectual property rights owned by third parties.

RISK MANAGEMENT

Our management has designed and has been implementing a risk management policy to identify and address various potential risks in relation to our operations, including credit risks, liquidity risks, foreign exchange risks, interest rate risks and operational risks. Our Board is responsible for overseeing the overall risk management and assessing and updating our risk management policy as appropriate.

Credit risks

We are exposed to credit risks from our customers in the ordinary course of business. In order to minimise our credit risks, our management team regularly monitors our credit risk management policies. For further details, please refer to the paragraph headed "Risk Factors — We are exposed to the credit risks of our customers" in this prospectus.

For our motor vehicle hire purchase financing business, our management is responsible for the determination of credit limits (including the loan-to-value ratio) and credit approvals offered under our hire purchase arrangements. Such determination is conducted on a case-by-case basis and subject to the financing restrictions stipulated by the MAS. For details of maximum loan-to-value ratio, please refer to the paragraph headed "Regulatory Overview — Motor Vehicle Loan Financing Restrictions" in this prospectus. Our credit checks and our requirement that our motor vehicle hire purchase financing customers must procure a guarantor to guarantee their obligations may mitigate our credit risk. We are also a member of the Hire Purchase, Finance and Leasing Association of Singapore which maintains a registry of encumbrances. Being a member allows us to lodge our interest in motor vehicles financed by motor vehicle hire purchase financing granted by us. For details of our internal control efforts in relation to the monitoring of the credit risks of our hire purchase customers, please refer to the paragraph head "Business — Providing direct in-house financing" in this prospectus. For our motor vehicle leasing business, our rental deposits limit our credit risk as we are able to wholly or partially set off against the deposits in the event of default.

In addition, our management regularly reviews our receivables to ensure that follow-up action is taken to recover any overdue trade receivables and adequate impairment losses are made for irrecoverable amounts. Pursuant to our internal credit control policy, we will monitor repayments, issue reminders in respect of late payments and will decide on the appropriate course of action, such as commencing legal proceedings for debt recovery.

Liquidity risks

As we rely on financing from various banks and financial institutions in the operation of our Group's businesses, we may be exposed to liquidity risks in the event we are not able to meet our financial obligations as and when they fall due. For further details, please refer to the paragraph headed "Risk Factors — Our ability to obtain financing on acceptable terms is critical to our ability to operate, maintain and grow our business" in this prospectus.

Our Group's liquidity risk management policy is to maintain sufficient cash to meet our liquidity and working capital requirements and, in order to manage our liquidity risks, management regularly monitors rolling forecasts of our Group's liquidity reserves (which comprises cash and cash equivalent) and current and expected liquidity requirements, to ensure that sufficient reserves of cash are maintained to meet short-term and long-term liquidity requirements. Our Directors believe that the level of cash and cash equivalents maintained by our Group as well as the available bank financing are adequate to support our Group's operations and mitigate the effects of fluctuations in cash flows.

Foreign exchange risks

We may be exposed to foreign exchange risks as a result of our purchases of imported motor vehicles from foreign countries. For further details, please refer to the paragraph headed "Risk Factors — We are exposed to risks arising from fluctuations in exchange rates" in this prospectus.

Our Group has entered into derivative financial instruments, namely foreign exchange forward contracts, to manage the exposure from purchases of inventories in foreign currencies. For further details, please refer to the section headed "Financial Information" in this prospectus.

Interest rate risks

We are also exposed to interest rate risks in relation to our Group's bank borrowings and bank overdrafts. For further details, please refer to the paragraph headed "Risk Factors — Our ability to obtain financing on acceptable terms is critical to our ability to operate, maintain and grow our business" in this prospectus.

Due to the simplicity of our Group's financial structure and current operations, we do not undertake any hedging against interest rate risks.

Operational risks

We may also be exposed to other risks relating to our operations. For further details, please refer to the paragraph headed "Risk Factors — Our ability to meet customer demands is dependent on our ability to effectively maintain our inventories" in this prospectus.

We actively monitor our inventories of motor vehicles to ensure cost efficiency, regular turnover, quality control and timely distribution. In order to ensure working capital efficiency, we constantly strive to maintain suitable levels of inventory to meet our customers' demands and at the same time seek to minimise unnecessary stocking.

INSURANCE

We maintain comprehensive health insurance for our staff, integrated insurance coverage on our fixed assets, inventories and the vehicles against fire, loss or damage and motor vehicle insurance for our business activities, in accordance with the relevant applicable laws and regulations in Singapore. For further details, please refer to the paragraph headed "Regulatory Overview — Work Injury Compensation and Insurance" in this prospectus.

We believe that our insurance coverage is consistent with industry norm and regional practice and are adequate for our business operations. From time to time, we review and assess our risks and adjust our insurance coverage as appropriate.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our insurance coverage is adequate for the operation of our business and we did not make any material claim in respect of the insurance taken by us.

LICENCES AND PERMITS

We hold general licences issued by LTA which allow our motor vehicles to be test-driven and transported on the road so long as a general licence is displayed on the motor vehicle. We are also registered with the GIA for certain reputable insurance institutions which allows us to conduct our motor insurance agency business.

The table below sets out the details of the licences and registrations held by our Group:

Issuing authority	Type of licence/ registration	Licence number(s)	Validity period
LTA	General licences[(Note 1)]	5122S	2 January 2019 to 1 January 2020
		5293S	6 February 2019 to 5 February 2020
		4683S	20 July 2018 to 19 July 2019
		4776S	15 August 2018 to 14 August 2019
		4777S	15 August 2018 to 14 August 2019
		5337S	21 November 2018 to 20 November 2019
GIA	Registered agent	C002128	31 December 2019

Note 1: General licence is issued only for the purpose of test or trial of a vehicle by the licensee or any other person bona fide in his employment and acting under his authority.

Other than the above licences and registration, as at the Latest Practicable Date, there are no material licences, approvals, permits, consents and certificates which are necessary for our Group's business operations in Singapore.

For further details, please refer to the section headed "Regulatory Overview" in this prospectus.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, there were no litigation or arbitration proceedings or claims of material importance pending or threatened against any member of our Group or any of our Directors which, in the opinion of our Directors, could have a material adverse effect on our Group's financial condition or results of operations.

REGULATORY COMPLIANCE

Our Directors confirm and our Singapore Legal Advisers concur that there are no material non-compliance with the applicable laws and regulations in Singapore during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL

In preparation for the Listing, our Group appointed an independent third party internal control consultant (the "**Internal Control Consultant**") to perform a review on certain key areas of our internal controls over financial reporting in August 2017. The Internal Control Consultant has recommended certain measures to improve and rectify our internal control weakness. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including revenue and receivables, purchases, procurements and payables, inventory management, cash and treasury management, financial reporting, property, plant and equipment, human resources, taxation, insurance, intellectual property and general controls of information technology. The internal control review was conducted based on information provided by our Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant. Accordingly, we have modified and adopted new internal control policies and procedures based on the recommendation of the Internal Control Consultant and we will continuously monitor and improve our management procedures to ensure the effective operation of those internal controls are in line with the growth of our business and good corporate governance practice.

CORPORATE GOVERNANCE

In order to continuously improve our corporate governance, we intend to adopt or have adopted the following measures:

(a) an audit committee with written terms of reference in accordance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code has been established since 1 February 2019 to review, among other matters, the financial reporting, risk management and internal control systems and procedures for compliance with the requirements under the Listing Rules and the Companies Ordinance;

(b) we will provide the Directors, senior management and employees of our Group with training, development programmes and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time; and

(c) we have appointed the Titan Financial Services Limited as our compliance adviser to advise our Group on compliance matters upon Listing in accordance with Rule 3A.19 of the Listing Rules, particulars of the terms of appointment are set forth in the paragraph headed "Directors and Senior Management — Compliance Adviser" in this prospectus.

For further details, please refer to the paragraph headed "Relationship with Controlling Shareholders — Corporate Governance Measures" in this prospectus.

OVERVIEW

Our Board consists of three Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors. Our senior management team consists of two individuals (excluding our Executive Directors). The following table sets out the information relating to our Directors and senior management:

Directors

Name	Age	Present position within our Group	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Director(s)/ senior management (other than that through or relating to our Group)[1]
Executive Directors						
Mr. Tan Shuay Tarng Vincent (陳率堂先生)	55	Chairman, Chief Executive Officer and Executive Director	December 2003	4 July 2017	Responsible for our Group's overall management, strategy and business development	Spouse of Mrs. Marisa Tan, who is the step-sister of Ms. Ng
Ms. Ng Hui Bin Audrey (Ms. Huang Huimin Audrey) (黃慧敏女士)	43	Executive Director and senior manager, administration and operations department	March 2005	25 September 2017	Responsible for overseeing our Group's administrative matters	Step-sister of Mrs. Marisa Tan, who is the spouse of Mr. Vincent Tan
Mr. Khung Poh Sun (康寶山先生)	66	Executive Director and director of operations and logistics department	January 2008	4 July 2017	Responsible for managing external relationships and operations matters	Nil
Non-Executive Director						
Mr. Raymond Wong (Mr. Wang Xukuan) (王溆寬先生)	53	Non-Executive Director	September 2017	25 September 2017	Providing strategic advice to our Group	Nil

Name	Age	Present position within our Group	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Director(s)/ senior management (other than that through or relating to our Group)[1]
Independent Non-Executive Directors						
Mr. Chow Wing Tung (周永東先生)	44	Independent Non-Executive Director	N.A.	1 February 2019	Providing independent advice to our Board	Nil
Mr. Hui Yan Kit (許人傑先生)	45	Independent Non-Executive Director	N.A.	1 February 2019	Providing independent advice to our Board	Nil
Mr. Tam Yat Kin Ken (譚日健先生)	40	Independent Non-Executive Director	N.A.	1 February 2019	Providing independent advice to our Board	Nil

Note:

(1) This refers to spouse; any person cohabiting with a Director or senior manager as a spouse; and any relative meaning a child or step-child regardless of age, a parent or step-parent, a brother, sister, step-brother or step-sister, a mother-in-law, a father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

Senior Management

Name	Age	Present position within our Group	Date of joining our Group	Date of appointment to the present position	Roles and responsibilities	Relationship with other Director(s)/senior management (other than that through or relating to our Group)[1]
Ms. Beng Lee Ser Marisa (Mrs. Marisa Tan) (孟禧臻女士)	45	Director of marketing and communications	June 1995	1 June 1995	Responsible for our Group's branding and marketing strategy and affairs	Spouse of Mr. Vincent Tan and step-sister of Ms. Ng
Ms. Lau Gek Choo (劉玉珠女士)	54	Finance manager	June 2008[2]	18 September 2012	Responsible for our Group's accounting functions	Nil

Note:

(1) This refers to spouse; any person cohabiting with a Director or senior manager as a spouse; and any relative meaning a child or step-child regardless of age, a parent or step-parent, a brother, sister, step-brother or step-sister, a mother-n-law, a father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

(2) Ms. Lau Gek Choo left our Group in April 2011, and subsequently re-joined our Group in September 2012.

DIRECTORS

Executive Directors

Mr. Tan Shuay Tarng Vincent (陳率堂先生), aged 55, is our founder and was appointed as a Director on 4 July 2017. He was re-designated as an Executive Director and appointed as our Chairman and Chief Executive Officer on 12 January 2018. He is also a director of all of our Company's subsidiaries. As Chief Executive Officer, Mr. Vincent Tan is responsible for our Group's overall management, strategy and business development, and has been instrumental in growing and expanding our Group.

Mr. Vincent Tan has over 30 years of experience in the motor vehicle industry in Singapore. Before establishing Vincar Trading as a sole proprietorship in October 1989, Mr. Vincent Tan was the sole proprietor of Hoon Soon Car Trading, which principally engaged in the retail sales of motor vehicles from January 1988 to August 1993.

Mr. Vincent Tan was awarded a Diploma in Civil Engineering from the Singapore Polytechnic in May 1983. He then served in the Singapore Armed Forces as an infantry officer from June 1983 to December 1985.

Mr. Vincent Tan was a director, partner or sole proprietor of the following companies and entities during or within 12 months when they were dissolved, and they were solvent immediately before their dissolution:

Name	Place of Incorporation	Nature of Business	Date of Dissolution	Means of Dissolution	Reason for Dissolution
Vincar Credit Pte Ltd .	Singapore	Retail sale and leasing of motor vehicles and motor vehicle financing	22 July 2004	Struck off*	Ceased business
Vincar Enterprise Pte Ltd	Singapore	Wholesale trade of motor vehicles	7 November 2012	Dissolved — Members' voluntary winding up	Ceased business
Super Plus Holdings Pte Ltd	Singapore	Investment holding company	15 August 2013	Struck off*	Inactive business
Office Print Enterprise	Singapore	Printing and publication	5 September 1988	Terminated	Ceased business
Hoon Soon Car Trading	Singapore	Retail sales of motor vehicles	30 August 1993	Terminated	Ceased business
Laser Unisex Saloon . .	Singapore	Hairdressing	18 September 1988	Terminated	Ceased business
Vincar Trading	Singapore	Retail sales of motor vehicles	3 February 2007	Cancelled	Ceased business
Aerolines Freight Services	Singapore	Courier activities	16 April 1992	Terminated	Ceased business
Automotive Fleet Management	Singapore	Renting and leasing of motor vehicles	2 September 2015	Terminated	Inactive business
Shine Leasing Pte. Ltd.	Singapore	Retail sales of motor vehicles	12 March 2014	Struck off	Ceased business
Boba Brew.	Singapore	Food and beverage	30 March 2018	Cancelled	Ceased business

** The striking off process was initiated by the respective companies.*

Mr. Vincent Tan confirmed that there was no wrongful act on his part leading to the dissolutions of the above companies and entities and he was not aware of any actual or potential claim that had been or would be made against him as a result of the dissolution of the company or entity.

Mr. Vincent Tan does not hold any current or past directorships in any listed companies in the last three years. Mr. Vincent Tan is the spouse of Mrs. Marisa Tan, our Group's Director of Marketing and Communications, who is the step-sister of Ms. Ng, our Executive Director and senior manager of administration and operations department of our Group.

Ms. Ng Hui Bin Audrey (黃慧敏女士), aged 43, was appointed as a Director on 25 September 2017 and re-designated as an Executive Director on 12 January 2018. She is also a senior manager, administration and operations department of our Group, since May 2011. As senior manager, she is responsible for supervising the administration team and providing support to the sales and logistics teams. Ms. Ng joined our Group as Assistant Administration Manager in March 2005 and has approximately 20 years of experience in performing administrative and office support duties.

Ms. Ng started her career in 1996 as a reservation clerk at Sedona Hotels International, a hospitality company in Singapore. Subsequently, she joined Singapore International Convention and Exhibition Centre as a sales administrator in 1997.

Ms. Ng does not hold any current or past directorships in any listed companies in the last three years. Ms. Ng is the step-sister of Mrs. Marisa Tan, our Group's Director of Marketing and Communications, who is the spouse of Mr. Vincent Tan, our Group's Chairman and Chief Executive Officer.

Ms. Ng was awarded a Diploma in Business Studies (Leisure & Travel Management) from the Ngee Ann Polytechnic, Singapore in August 1997.

Mr. Khung Poh Sun (康寶山先生), aged 66, was appointed as a Director on 4 July 2017 and re-designated as an Executive Director on 12 January 2018. He is concurrently a director of the operations and logistics department, a position he has held since January 2011. As director of the operations and logistics department, his duties include organising and overseeing the daily operations of our Group and managing our Group's external relationships. Before assuming his position as director of the operations and logistics department, he was a sales broker from January 2003 to December 2007, and then a general sales manager from January 2008 to December 2010. Mr. Khung has been with our Group since our inception.

Mr. Khung does not hold any current or past directorships in any listed companies in the last three years.

Non-Executive Director

Mr. Raymond Wong (王瀲寬先生) ("Mr. Wong"), aged 53, was appointed as a Director on 25 September 2017 and re-designated as a Non-Executive Director on 12 January 2018. Mr. Wong has more than 25 years of experience in the legal profession.

Mr. Wong is presently a named partner of Wong Thomas & Leong, a Singapore law firm which he joined in 1999.

Mr. Wong was awarded a Bachelor of Laws (Honours) from the University of London in 1990. He became a barrister-at-law of The Honourable Society of Gray's Inn in 1991 and was admitted as an Advocate & Solicitor of the Supreme Court of Singapore in 1992.

Mr. Wong was a director or partner of the following companies and entities during or within 12 months when they were dissolved, and they were solvent immediately before they were dissolved:

Name	Place of Incorporation	Nature of Business	Date of Dissolution	Means of Dissolution	Reason for Dissolution
Emmalex Consultants Pte. Ltd.	Singapore	Financial service activates, except insurance and pension funding	4 April 2016	Struck off	Ceased business
U-Millions Pte. Ltd. . . .	Singapore	Wholesale trade	31 July 2004	Struck off	Ceased business
ESLY LLP	Singapore	Activities of head offices; management consultancy activities	7 December 2007	Struck off	Ceased business
Linkworth Estates	Singapore	Real estate activities	3 November 1989	Terminated	Ceased business

Mr. Wong confirmed that there was no wrongful act on his part leading to the dissolutions of the above companies and entities and he was not aware of any actual or potential claim that had been or would be made against him as a result of the dissolution of the company or entity.

Mr. Wong does not hold any current or past directorships in any listed companies in the last three years.

Independent Non-Executive Directors

Mr. Chow Wing Tung (周永東先生) ("Mr. Chow"), aged 44, was appointed as an Independent Non-Executive Director on 1 February 2019. Mr. Chow has over 13 years of experience in accounting, auditing and corporate finance.

Mr. Chow is currently and has been the financial controller of Synear Food Holdings Limited ("**Synear**") since April 2005. Synear and its subsidiaries engage in the manufacture and sales of quick freeze food products in the PRC. Synear was listed on the main board of Singapore Exchange Limited and has been voluntarily delisted since December 2013. From January 2004 to January 2005, Mr. Chow was the financial controller of China Paper Holdings Limited (SGX: C71), a company engaged in the manufacture and sales of paper and paper chemical products in the PRC and whose shares are listed on the main board of Singapore Exchange Limited.

Mr. Chow has been appointed as an independent non-executive director of China Bio Cassava Holdings Limited (currently known as Cloud Investment Holdings Limited) (stock code: 8129), a company principally engaging in the software products businesses, in June 2013, the shares of which are listed on GEM of the Stock Exchange. From May 2016 to November 2017, Mr. Chow was an independent non-executive director of Chuan Holdings Limited (stock code: 1420), a company principally engaging in the business of provision of earthworks and related services and general construction in Singapore, the shares of which are listed on the Main Board. From November 2014 to May 2017, Mr. Chow was an independent non-executive director of Jimei International Entertainment Group Limited (currently known as Starlight Culture Entertainment Group Limited) (stock code: 1159), a company primarily engaged in entertainment and gaming business, trading of chemical, energy conservation, and environmental protection products and media and culture business, the shares of which are listed on the Main Board.

Mr. Chow has been a shareholder of Great Harvest Finance Limited, a company incorporated in Hong Kong which carries on the business of hire purchase financing of motor vehicles in Hong Kong, since February 2014.

Mr. Chow graduated from the University of Toronto with a Bachelor of Commerce degree in November 1997. Mr. Chow is a certified public accountant certified by the Washington State Board of Accountancy since 2001, a member of the American Institute of Certified Public Accountants since October 2001, a certified public accountant certified by the Hong Kong Institute of Certified Public Accountants since July 2003 and a Chartered Global Management Accountant certified by the American Institute of Certified Public Accountants since July 2012.

Save as disclosed above, Mr. Chow has not been a director of any publicly listed company in the three years immediately preceding the Latest Practicable Date.

Mr. Hui Yan Kit (許人傑先生) ("Mr. Hui"), aged 45, was appointed as an Independent Non-Executive Director on 1 February 2019. Mr. Hui has over 19 years of experience in business management, sales and marketing both in Hong Kong and the PRC.

Mr. Hui is currently the general manager of Shanghai Ngai Hing Plastic Materials Co., Limited, a wholly owned subsidiary of Ngai Hing Hong Company Limited (stock code: 1047) ("**Ngai**"). Ngai and its subsidiaries are engaged in manufacture and sales of plastic materials both in Hong Kong and the PRC and whose shares are listed on the Main Board. Mr. Hui joined Ngai in 1998 and is responsible for sales and marketing of plastic materials in Shanghai and the eastern region of the PRC.

Mr. Hui graduated from the University of Toronto with a Bachelor of Arts degree in November 1998. Mr. Hui was appointed in July 2004 as an independent non-executive director of Century Legend (Holdings) Limited (stock code: 0079), a company principally engaging in property investments in both Hong Kong and Macau and whose shares are listed on the Main Board.

Mr. Hui was a director of the following company during or within 12 months when it was dissolved, and it was solvent immediately before it was dissolved:

Name	Place of Incorporation	Nature of Business	Date of Dissolution	Means of Dissolution	Reason for Dissolution
Alco (Asia) Limited . .	Hong Kong	Property investment	4 October 2002	Deregistration	Ceased business

Mr. Hui confirmed that there was no wrongful act on his part leading to the dissolution of the above company and he was not aware of any actual or potential claim that had been or would be made against him as a result of the dissolution of the company.

Save as disclosed above, Mr. Hui has not been a director of any publicly listed company in the three years immediately preceding the Latest Practicable Date.

Mr. Tam Yat Kin Ken (譚日健先生) ("Mr. Tam"), aged 40, was appointed as an Independent Non-Executive Director on 1 February 2019. Mr. Tam has more than ten years' experience in managing business development, developing corporate strategy and executing corporate transformations.

Prior to that, Mr. Tam joined Fincentric Corporation, a company based in Canada providing global banking solutions for financial institutions and was acquired by Open Solutions Inc. in 2007, in January 2000. Mr. Tam was then promoted to be a director of Leadbuilder and CVM Solutions in January 2006 and accountable for overseeing the banking solutions unit and product management function until he left the company in May 2007.

Mr. Tam also served as a managing director of Green Impact Solution Limited, an energy efficient solution provider in Hong Kong, from May 2009 to March 2011, as well as a Chief Operating Officer of DT International Holdings Limited, a company specializing in printing and packaging, from April 2011 to June 2015.

Mr. Tam is currently the managing director of KS Enterprises Hong Kong Limited, a fine wine management and investment specialist in Hong Kong. He has been responsible for the general management of the company since June 2015.

Mr. Tam obtained a Bachelor of Applied Science degree from The University of British Columbia in May 2000. He was awarded a Master of Business Administration degree by the University of Cambridge in May 2009. He also completed the Stanford Executive Program launched by the Stanford Graduate School of Business in July 2011.

Since November 2010, Mr. Tam has been a full member of The Hong Kong Computer Society.

Mr. Tam was a director of the following company during or within 12 months when it was dissolved, and it was solvent immediately before it was dissolved:

Name	Place of Incorporation	Nature of Business	Date of Dissolution	Means of Dissolution	Reason for Dissolution
Green Impact Solution Limited	Hong Kong	Energy Efficient Solution Provider	12 September 2014	Deregistration	To cease the business operation

Mr. Tam confirmed that there was no wrongful act on his part leading to the dissolution of the above company and he was not aware of any actual or potential claim that had been or would be made against him as a result of the dissolution of the company.

Save as disclosed above, Mr. Tam has not been a director of any publicly listed company in the three years immediately preceding the Latest Practicable Date.

Disclosure under Rule 13.51(2) of the Listing Rules

Save as disclosed in this prospectus, each of our Directors confirms that he/she (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in public listed companies in the last three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed "Substantial Shareholders" and in the paragraph headed "Further information about our Directors and Substantial Shareholders" in Appendix IV to this prospectus, each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO.

Save as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, as at the Latest Practicable Date, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

SENIOR MANAGEMENT

Ms. Beng Lee Ser Marisa (孟禧臻女士), aged 45, is our Group's Director of marketing and communications. She has been with our Group since our inception, and is currently responsible for our Group's branding and marketing strategy and affairs. In addition, she oversees our Group's human resources and employee engagement matters. Previously, she was also involved in the management and implementation of our Group's operational and administrative processes.

Mrs. Marisa Tan obtained a Diploma in Fashion Merchandising, which was jointly awarded by LaSalle International Fashion School (Singapore) and LaSalle College (Canada), in March 1993.

Mrs. Marisa Tan does not hold any current or past directorships in any listed companies in the last three years. She is the spouse of Mr. Vincent Tan, our Group's Chairman and Chief Executive Officer and the step-sister of Ms. Ng.

Ms. Lau Gek Choo (劉玉珠女士), aged 53, is our Group's finance manager. She first joined our Group as finance manager in June 2008 until April 2011 and re-joined our Group in September 2012. Her main duties include leading the accounts department and overseeing the day-to-day accounting functions of our Group. She has more than 18 years' experience in the accounting sector.

From March 1999 to April 2008, she was an accountant with Baxter Healthcare (Asia) Pte Ltd, a multinational pharmaceutical company.

Between her stints with our Group, Ms. Lau was an assistant manager in the finance department at the SERC Shared Services, Science and Engineering Institutes, research institutes of the Agency for Science, Technology and Research, a Singapore statutory board engaged in scientific research and technological innovation, from June 2011 to February 2012.

Ms. Lau completed a course in Professional Accounting by way of long distance learning and was admitted to the degree of Master of Business by the Victoria University of Technology, Australia in May 1999. From 2009 to 2016, she was an Associate Member of the Institute of Certified Public Accountants of Singapore (now known as the Institute of Singapore Chartered Accountants).

Ms. Lau does not hold any current or past directorships in any listed companies in the last three years.

COMPANY SECRETARY

Mr. Lui Wai Sing (呂偉勝先生) ("Mr. Lui"), aged 30, was appointed as company secretary of our Company on 12 January 2018. Prior to joining our Group, from June 2009 to February 2011, Mr. Lui was employed by Philip Poon & Partners CPA Limited as an audit staff. From June 2011 to January 2015, he worked at BDO Limited in the assurance department where his last position was assistant manager. He joined Deloitte Touche Tohmatsu as a senior auditor from January 2015 to January 2017. Mr. Lui was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in September 2013. He received a Bachelor of Business Administration from Lingnan University in October 2009. Since March 2017, Mr. Lui has been the company secretary of Cool Link (Holdings) Limited (stock code: 8491), a Singapore-based company principally engaging in the supply of food products and listed on GEM of the Stock Exchange.

BOARD COMMITTEES

We have established an Audit Committee, a Remuneration Committee and a Nomination Committee. Each committee operates in accordance with its terms of reference established by our Board. The functions of the three committees are summarised as follows:

Audit Committee

Our Group established an Audit Committee on 1 February 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code. The Audit Committee consists of three Independent Non-Executive Directors, namely, Mr. Chow Wing Tung, Mr. Hui Yan Kit and Mr. Tam Yat Kin Ken. Mr. Chow Wing Tung is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist our Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Group established a Remuneration Committee on 1 February 2019 with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code. The Remuneration Committee consists of three Independent Non-Executive Directors, namely Mr. Chow Wing Tung, Mr. Hui Yan Kit and Mr. Tam Yat Kin Ken. Mr. Hui Yan Kit is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to our Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

Our Group also established a Nomination Committee on 1 February 2019 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The Nomination Committee consists of three Independent Non-Executive Directors, namely, Mr. Chow Wing Tung, Mr. Hui Yan Kit and Mr. Tam Yat Kin Ken. Mr. Tam Yat Kin Ken is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to make recommendations to our Board to fill vacancies on the same.

REMUNERATION

Our Directors and members of our senior management receive compensation in the form of fees, salaries, allowances, benefits in kind, discretionary performance-linked bonuses and defined contribution, and their respective remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities, workload, the time devoted to our Group, individual performance and the performance of our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in relation to the operations of our Group.

Our Group regularly reviews and determines the remuneration packages of our Directors and senior management. After Listing, the Remuneration Committee will assist our Board in reviewing and determining the remuneration packages.

During FY2016, FY2017 and FY2018, the aggregate amount of compensation (including salaries and allowances, bonuses and employer's contribution to CPF) paid by our Group to our Directors were approximately S$792,000, S$674,000 and S$733,000, respectively.

During FY2016, FY2017 and FY2018, the aggregate amount of compensation (including wages, salaries and allowances, bonuses and employer's contribution to defined contribution plans) paid by our Group to our five highest paid individuals (including one of our Executive Directors) were approximately S$856,000, S$736,000 and S$703,000, respectively.

None of our Directors or the five highest paid individuals have been paid any sum of money (i) as an inducement to join or upon joining our Company; or (ii) as a compensation for loss of office during the Track Record Period. There were no arrangements under which a Director has waived or agreed to waive any remuneration for the same period.

Under the arrangements currently in force, we estimate that the aggregate amount of compensation (excluding any discretionary bonus, if any, payable to our Directors) payable by our Group to and benefits in kind receivable by our Directors for FY2019 is estimated to be approximately S$846,000.

Please refer to note 9 of the Accountant's Report as set out in Appendix I to this prospectus for details of the remuneration of our Directors and five highest paid individuals in FY2016, FY2017 and FY2018 and refer to the paragraph headed "Further Information about our Directors and Substantial Shareholders — 9. Particulars of Directors' service contracts and letters of appointment" in Appendix IV to this prospectus for details of the terms of our Directors' service contracts.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Our Company will comply with the code provisions of the Corporate Governance Code with the exception of code provision A.2.1, which requires the roles of chairman and chief executive to be held by different individuals.

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

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

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

The Nomination Committee is responsible for ensuring the diversity of our Board. After the Listing, the Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Titan Financial Services Limited as our compliance adviser to provide advisory services to our Company. Pursuant to Rule 3A.23 of the Listing Rules, it is expected that the compliance adviser will, amongst other things, advise our Company with due care and skill on the following circumstances:

(i) before the publication of any regulatory announcements, circulars or financial reports;

(ii) where a transaction, which might be discloseable or being a notifiable or connected transaction under Chapters 13, 14 and/or 14A of the Listing Rules, is contemplated including shares issues and share repurchases;

(iii) where we propose to use the proceeds from the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our Shares or other issues under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), approximately 67.3% of the issued share capital of our Company will be owned by Gatehouse Ventures, which is a company wholly-owned by Mr. Vincent Tan. In this regard, Mr. Vincent Tan, together with Gatehouse Ventures, are our Controlling Shareholders within the meaning of the Listing Rules. For the background of Mr. Vincent Tan, please refer to section headed "Directors and Senior Management" in this prospectus.

Save as disclosed above, there is no other person who will, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account the allotment and issue of Shares upon the exercise of options to be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

INTEREST OF CONTROLLING SHAREHOLDERS IN OTHER BUSINESS

Other business of our Controlling Shareholder

As at the Latest Practicable Date, our Group sells new parallel-import motor vehicles and pre-owned motor vehicles. Apart from sales of parallel-import motor vehicles business, we also provide related services and products, such as (i) provision of motor vehicle financing services; (ii) provision of motor insurance agency services; and (iii) sales of motor vehicle spare parts and accessories. In addition, as part of our core business, we also provide motor vehicle leasing services. Meanwhile, Mr. Vincent Tan, our Executive Director and one of our Controlling Shareholders, is interested in the following Excluded Entities:

Excluded Entity	Principal activities of the Excluded Entity	Total interests held by Mr. Vincent Tan
Vincar Assets	Investment holding	50%
Wealth Assets	Property investment and property management	20% (by virtue of his shareholding interest in Vincar Assets)

Vincar Assets

Vincar Assets was incorporated as a limited liability company in Singapore on 13 March 2014 and engages principally in investment holding activities. Vincar Assets is owned as to 50% by Mr. Vincent Tan and 50% by an Independent Third Party. To the best knowledge of Mr. Vincent Tan, Vincar Assets did not engage in any other business operation other than engaging in its investment holding activities, i.e. the holding of 20% shareholding interest in Wealth Assets, during the Track Record Period and Mr. Vincent Tan is only a passive investor of Vincar Assets and does not have any management control over Vincar Assets nor is able to exert any influence in its management.

Wealth Assets

Wealth Assets was incorporated as a limited liability company in Singapore on 18 March 2014. Wealth Assets is owned as to 80% by an Independent Third Party (the "**Majority Shareholder**") and 20% by Vincar Assets, a company in which Mr. Vincent Tan has 50% shareholding interest. Wealth Assets together with its wholly-owned subsidiary, i.e. Wealth Assets Group, engage principally in the business of property investment and property management. The directors and management of Wealth Assets Group are all Independent Third Parties and Mr. Vincent Tan does not have any control or day-to-day management over Wealth Assets Group.

In January 2018, as part of our Group's expansion plans to enhance our branding, sales and marketing efforts, we have entered into a tenancy agreement, for the purpose of setting up of our Leng Kee Autopoint showroom, and a memorandum of understanding, for the purpose of a motor vehicle workshop with Wealth Assets Group for renting certain premises at the Leng Kee Property. The Leng Kee Property is located at the main automotive belt in Singapore which is renowned for its congregation of automotive-related business.

For further information regarding the our Leng Kee Autopoint showroom which commenced operation in March 2018 and the future plan of setting up of the motor vehicle workshop at the Leng Kee Property, please refer to the paragraphs headed "Business — Our Competitive Strengths", "Business — Our Business Strategies" and the section headed "Future Plans and Use of Proceeds" in this prospectus.

REASONS FOR NON-INCLUSION OF THE EXCLUDED ENTITIES IN OUR GROUP

Our Group mainly sells new parallel-import motor vehicles and pre-owned motor vehicles while Vincar Assets, carries on investment holding activities and Wealth Assets Group engages principally in the business of property investment and property management. Given that the business focuses of the Excluded Entities are different from our core businesses and Mr. Vincent Tan's interests in Wealth Assets Group would not allow our Group to have meaningful and material control over the business of Wealth Assets Group for the benefit of our Group, our Directors believe that it is not in the interests of our Shareholders to include the Excluded Entities in our Group.

Based on Mr. Vincent Tan's understanding, the Majority Shareholder may in the future, through Wealth Assets Group, expand into automotive business which is likely to compete, whether directly or indirectly, with our Group's business. Our Directors believe that even if there may be competition, such competition is unlikely to be significant. As at the Latest Practicable Date, there is no further update from the Majority Shareholder that they would implement such expansion plan. In light of the following, it is our Directors' view that our Group is and will be capable of carrying on our business independent of, and at arm's length from the potential competing interests of Mr. Vincent Tan:

— Mr. Vincent Tan is only a passive investor and has no control or day-to-day management over Wealth Assets Group;

— the Majority Shareholder's plan to expand to automotive business is beyond Mr. Vincent Tan's control; and

— safeguarding measures, namely, (i) the non-competition undertaking given by Vincar Assets; (ii) the right of first refusal under the Deed of Non-competition; and (iii) the relevant additional corporate measures are in place to safeguard the interests of our Group and our Shareholders as a whole.

Non-competition undertaking from Vincar Assets

In order to safeguard the interest of our Group, Vincar Assets has signed a deed of undertaking dated 11 January 2018 in favour of our Group (the "**Deed of Undertaking**") and a supplemental deed to the Deed of Undertaking dated 1 February 2019, pursuant to which:

— unless with our Company's prior written consent, Vincar Assets will not, and procure its close associates not to, carry on or engage in business, or be interested, or involved or engaged in or acquire or hold any rights or interest (save for the holding in aggregate of not more than 5% shareholding interest in any company listed on the Stock Exchange or any other stock exchange) or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business relating to any sales of motor vehicles and sales of motor vehicle parts and accessories, provision of motor vehicle financing services and insurance agency services, rental and leasing of motor vehicles, repair and maintenance of motor vehicles, or such other business of similar natures, functions and/or purposes from the date of the Deed of Undertaking and thereafter, which has or likely to have direct or indirect competition with our Group's existing business in Singapore and such business as may be engaged by our Group from time to time;

— to allow our Directors (including but not limited to our Independent Non-Executive Directors), their respective representatives and the auditors to have sufficient access to the books and records of Vincar Assets and its close associates to monitor and ensure their compliance with the terms and conditions under this undertaking;

— not to, directly or indirectly, use the trade name containing the word "Vincar" or any such intellectual property owned by our Company from time to time for the purpose of conducting business, if any, unless with the prior written consent from our Company; and

— as long as Vincar Assets continues to be a shareholder of Wealth Assets, Vincar Assets (i) shall remain as a passive investor in Wealth Assets; (ii) shall not appoint any representative(s) to the board of directors of Wealth Assets; (iii) shall neither exert any influence in nor provide any form of advisory services to the business, management and/or day-to-day operations of Wealth Assets other than being a passive investor; and (iv) shall not acquire, or procure its close associate to acquire, any shares of Wealth Assets to the extent that subsequent to the acquisition, Vincar Assets can exercise or control the exercise of 30% or more of the voting power at the general meeting of Wealth Assets.

Right of First Refusal

Pursuant to the Deed of Non-competition, Mr. Vincent Tan irrevocably and unconditionally covenants and undertakes that, during the Restricted Period set out in the paragraph headed "Deed of Non-competition" in this section, in the event that Mr. Vincent Tan intends to dispose of any part or all of the interests in Vincar Assets (the "**Subject Interests**"), he shall first offer to our Company the right to acquire such part or all of the Subject Interests (the "**Right of First Refusal**"). Mr. Vincent Tan may only proceed with such disposal, on terms not more favourable than those offered to our Company following the rejection of such offer by our Company.

The exercise of the Right of First Refusal by our Company is subject to (i) the constitutional documents of Vincar Assets; (ii) any rights of other shareholder(s) of Vincar Assets that existed before the date of the Deed of Non-competition; (iii) all necessary governmental approvals, permission, consent, filing or wavier from the relevant third parties (if any); and (iv) all applicable laws, rules and regulations (including but not limited to the Listing Rules).

In addition, the following corporate measures will be adopted by our Company to protect the interests of our Shareholders:

— decision for exercise or non-exercise of the Right of First Refusal shall be determined by our Independent Non-Executive Directors only;

— in assessing whether or not to exercise the Right of First Refusal, our Independent Non-Executive Directors will take into account such factors as our business prospects and profitability and form their views based on the best interests of our Shareholders and our Company as a whole;

— our Independent Non-Executive Directors are empowered to engage professional advisors at our own cost for advice on matters relating to the Right of First Refusal; and

— our Company will publish an announcement to disclose the decision, with basis, of our Independent Non-Executive Directors on whether to pursue or decline the exercise of the Right of First Refusal.

As at the Latest Practicable Date, Mr. Vincent Tan had no intention to dispose any of the Subject Interests.

Further, pursuant to the Deed of Non-competition, Mr. Vincent Tan irrevocably and unconditionally covenants and undertakes with our Company (for ourselves and as trustee for and on behalf of each of our subsidiaries) that he shall dispose of his 50% shareholding interests in Vincar Assets in the event that, during the Restricted Period set out in the paragraph headed "Deed of Non-competition" in this section, Vincar Assets and/or its subsidiaries (if any) conducts or carries out business other than its current business as set out hereinabove, and such business, in the opinion of our Independent Non-Executive Directors, is likely to have direct competition with our Group's business.

Save as disclosed above, none of our Controlling Shareholders, our Directors or their close associates has any interests in any business, other than our Group's business, which directly or indirectly competes or is likely to compete with our principal businesses, which would require disclosure under Rule 8.10 of the Listing Rules. To ensure that competition will not exist in the future, each of our Controlling Shareholders has given a non-competition undertaking in favour of our Company to the effect that he/it will not, and will procure his/its close associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our businesses. Please refer to the paragraph headed "Deed of Non-competition" in this section for details.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors consider that our Group is capable of carrying on our business independently from our Controlling Shareholders and their respective close associates (other than the members of our Group) upon the Listing.

Financial independence

We are financially independent of our Controlling Shareholders and their respective close associates. We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group makes financial decisions according to our own business needs.

During the Track Record Period, Mr. Vincent Tan, one of our Controlling Shareholders, has provided financial assistance in the form of personal guarantees, in favour of Malayan Banking Berhad and United Overseas Bank for the repayment obligations of the Singapore Subsidiaries pursuant to the banking facilities obtained from these banks. All such personal guarantees will be fully released and/or replaced by corporate guarantees to be provided by our Company upon the Listing.

As the above personal guarantees given by Mr. Vincent Tan will be released upon Listing, our Directors believe that we will be financially independent from our Controlling Shareholders upon Listing and we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Operational independence

We have sufficient operational capacity in terms of capital, facilities, premises and employees to operate our business independently. We also have independent access to suppliers and customers and our Group has established our own organisational structure made up of individual departments, each with specific area of responsibilities, to handle our day-to-day operations.

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities. Save for sharing of registered office with Vincar Assets which ceased on 2 January 2018, our Group had not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their close associates during the Track Record Period. Our Group has also established a set of internal control procedures to facilitate the effective operation of our business. In particular, we are led by a management team with extensive experience in the motor vehicles

industry. Mr. Vincent Tan, our Executive Director, has been with our Group or its affiliated entities for at least 25 years and Mr. Khung, our Executive Director who organises and oversees the daily operations of our Group and manages our Group's external relationships, has approximately 10 years of experience in the motor vehicle industry.

Save as disclosed in the paragraph headed "Financial Information — Related Party Transactions" in this prospectus, our suppliers and customers are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their close associates and have independent access to our suppliers for the provision of services and materials as well as source of customers.

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

Management independence

Although our Controlling Shareholders will maintain controlling interests in our Company upon completion of the Share Offer, the day-to-day management and operations of our Group will be the responsibility of all our Executive Directors and senior management of our Company. Our Board has seven Directors comprising three Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors. Our Board and senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders as a whole after the Listing without reference to our Controlling Shareholders.

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

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our Group's business independently from our Controlling Shareholders.

RULE 8.10 OF THE LISTING RULES

Save as disclosed in this prospectus, our Controlling Shareholders and Directors confirm that they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has given non-competition undertakings in favour of our Company (for ourselves and as trustee for each of our subsidiaries) under the Deed of Non-competition, pursuant to which, our Controlling Shareholders warrant and undertake with our Company that, from the Listing and ending on the occurrence of the earlier of,

(a) any of our Controlling Shareholders and his/its close associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or ceases to be deemed as our Controlling Shareholder; or

(b) the Shares cease to be listed on the Stock Exchange (except for temporary suspension of Shares due to any reason),

(the "**Restricted Period**")

he/it will not, and will procure any Controlling Shareholder and his/its close associates (collectively, "**Controlled Persons**") and any company directly or indirectly controlled by our Controlling Shareholder (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) ("**Controlled Company**"), save for Mr. Vincent Tan's existing interests in Vincar Assets and Wealth Assets, not to either on his/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct business which, directly or indirectly, competes or may compete with the business presently carried out on by our Company or any of our subsidiaries or any other business that may be carried on by any of them from time to time during the term of the Deed of Non-competition, in Singapore, Hong Kong or such other places as our Company or any of our subsidiaries may conduct or carry on any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time be engaged by our Group, including but not limited to the sales of new parallel-import motor vehicles and pre-owned motor vehicles, motor

vehicle leasing as well as the offer of ancillary services and products such as provision of motor vehicle financing services and motor insurance agency services and sales of motor vehicle spare parts and accessories and the operation of car workshops (the "**Restricted Business**"), and/or to use the trade name "Vincar" and/or to use the registered trademark owned by our Group. Such non-competition undertakings do not apply to:

(i) the holding of Shares or other securities issued by our Company or any of our subsidiaries from time to time;

(ii) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange and the aggregate interest of our Controlling Shareholder and his/its close associates (as "interest" is construed in accordance with the provisions contained in Part XV of the SFO) does not amount to more than 5% of the relevant share capital of the company in question;

(iii) the contracts and other agreements entered into between our Group and our Controlling Shareholder and/or his/its close associates; and

(iv) the involvement, participation or engagement of our Controlling Shareholder and/or his/its close associates in the Restricted Business in relation to which our Company has agreed in writing to such involvement, participation or engagement, following a decision by our Independent Non-Executive Directors to allow such involvement, participation or engagement subject to any conditions our Independent Non-Executive Directors may require to be imposed.

New business opportunity

If any Controlled Person and/or any Controlled Company is offered or becomes aware of any business opportunity directly or indirectly to engage in or own the Restricted Business ("**New Business Opportunity**"), our Controlling Shareholders:

(a) shall promptly notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and

(b) shall not, and shall procure that his/its Controlled Person or Controlled Company not to, invest or participate in any New Business Opportunity, unless such New Business Opportunity is rejected by the independent committee of our Board (the "**Independent Board Committee**") comprising our Independent Non-Executive Directors from time to time who do not have any material interest in the Restricted Business and/or the New Business Opportunity and the principal terms of which our Controlling Shareholder and/or his/its Controlled Persons or Controlled Companies invest or participate in are no more favourable than those made available to our Company.

Our Controlling Shareholders may only engage in the New Business Opportunity if a notice is received from the Independent Board Committee confirming that the New Business Opportunity is not accepted by our Company and/or does not constitute competition with the Restricted Business.

General undertakings

To ensure the performance of the above non-competition undertakings given under the Deed of Non-competition, our Controlling Shareholders shall, among others:

(a) when required by our Company, provide all information necessary for the Independent Board Committee to conduct annual examination with regard to the compliance of the terms of the Deed of Non-competition and the enforcement thereof;

(b) where the Independent Board Committee has rejected the New Business Opportunity referred to by our Controlling Shareholders as stipulated above regardless of whether our Controlling Shareholder would thereafter invest or participate in such New Business Opportunity, procure our Company to disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Business Opportunity and the basis thereof;

(c) allow our Directors, their respective representatives and the auditors to have sufficient access to the records of the Controlling Shareholders and their respective close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition; and

(d) on demand do all such acts and things and execute all such deeds and documents as may be necessary to carry into effect or give legal effect to the provisions of the Deed of Non-competition and the transactions contemplated.

In respect of the above undertakings, our Company confirms that, if the Independent Board Committee has rejected the New Business Opportunity referred to us by our Controlling Shareholders regardless of whether our Controlling Shareholders would thereafter invest or participate in such New Business Opportunity, it will disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Business Opportunity and the basis thereof.

Each of our Controlling Shareholders has undertaken to our Company that he/it will abstain from voting on the board level or the shareholder level of our Company and will not be counted in the quorum if there is any actual or potential conflict of interest in relation to the Restricted Business and the New Business Opportunity.

To ensure that the terms of the Deed of Non-competition are observed, our Independent Non-Executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and the enforcement of the Deed of Non-competition; and (ii) all the decision made by our Group in relation to whether to take up any New Business Opportunity.

CORPORATE GOVERNANCE MEASURES

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

(a) the Independent Non-Executive Directors will review, on an annual basis, the compliance with the non-competition undertakings by our Controlling Shareholders under the Deed of Non-competition;

(b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the Independent Non-Executive Directors and the enforcement of the Deed of Non-competition;

(c) our Company will disclose decisions on matters reviewed by the Independent Non-Executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company;

(d) our Controlling Shareholders will make confirmation on compliance with their undertakings under the Deed of Non-competition in the annual reports of our Company;

(e) our Company has appointed three Independent Non-Executive Directors to ensure the effective exercise of independent judgment on the decision-making process of our Board and provide independent advice to our Shareholders;

(f) our Company has appointed Titan Financial Services Limited as our compliance adviser to advise on compliance matters in accordance with the Listing Rules; and

(g) in the event that there is any potential conflict of interests relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the Listing Rules, be required to declare his/her/its interests and, where required, abstain from participating in the relevant board meeting or general meeting and voting on the transaction and not count as quorum where required.

During the Track Record Period, we have entered into certain agreements with our connected persons and such arrangements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules following the Listing on the Stock Exchange.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions are made in the ordinary and usual course of our business and on normal commercial terms. These transactions fall within the de minimis rule under Rule 14A.76 of the Listing Rules and are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Autumn Silver Investments Ltd ("Autumn Silver")

Autumn Silver engages principally in investment holding activities. Autumn Silver is owned as to 50% by Mrs. Marisa Tan, a member of our senior management and the spouse of our Executive Director, Mr. Vincent Tan and as to 50% by Ms. Marie Beng Lee Mien, the sister of Mrs. Marisa Tan and the sister-in-law of Mr. Vincent Tan. As such, Autumn Silver is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions with Autumn Silver constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

During the Track Record Period, Autumn Silver had leased a property situated at 18 Boon Lay Way #06-103 TRADEHUB Singapore 609966 (the "**Storeroom Property**") to our Group for the purpose of a storeroom. The rental amounts paid by our Group to Autumn Silver were approximately S$60,000, S$60,000 and S$60,000 for FY2016, FY2017 and FY2018, respectively.

Our Group entered into a tenancy agreement with Autumn Silver on 1 January 2017 (the "**First Autumn Silver Tenancy Agreement**") and a renewed tenancy agreement with Autumn Silver on 1 January 2019 (the "**Renewed Autumn Silver Tenancy Agreement**"), pursuant to which, Autumn Silver agreed to lease the Storeroom Property to our Group for a monthly rental fee of S$5,000. The terms of the First Autumn Silver Tenancy Agreement and the Renewed Autumn Silver Tenancy Agreement are for two years from 1 January 2017 to 31 December 2018 and two years from 1 January 2019 to 31 December 2020, respectively. The pricing of the rental fees is determined after negotiation on arm's length basis and with reference to the prevailing market price of local properties with similar size, quality and location. It is proposed that the annual caps for the rental amounts under the Renewed Autumn Silver Tenancy Agreement shall be approximately S$60,000 for FY2019, which is calculated based on the agreed rental fee under the Renewed Autumn Silver Tenancy Agreement.

2. Victoria Land Limited ("Victoria Land")

Victoria Land engages principally in investment holding activities. Victoria Land is owned as to 50% by Mrs. Marisa Tan, a member of our senior management and the spouse of our Executive Director, Mr. Vincent Tan and as to 50% by Ms. Marie Beng Lee Mien, the sister of Mrs. Marisa Tan and the sister-in-law of Mr. Vincent Tan. As such, Victoria Land is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions with Victoria Land constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

During the Track Record Period, Victoria Land had leased a property situated at 61 Ubi Avenue 2, #02-17 Automobile Megamart, Singapore 408898 (the "**Ubi Showroom #17**") to our Group for the purpose of a showroom. The rental amounts paid by our Group to Victoria Land were approximately S$84,000, S$84,000 and S$84,000 for FY2016, FY2017 and FY2018, respectively.

Our Group entered into a tenancy agreement with Victoria Land on 1 January 2017 (the "**First Victoria Land Tenancy Agreement**") and a renewed tenancy agreement with Victoria Land on 1 January 2019 (the "**Renewed Victoria Land Tenancy Agreement**"), pursuant to which, Victoria Land agreed to lease the Ubi Showroom #17 to our Group for a monthly rental fee of S$7,000. The terms of the First Victoria Land Tenancy Agreement and the Renewed Victoria Land Tenancy Agreement are for two years from 1 January 2017 to 31 December 2018 and two years from 1 January 2019 to 31 December 2020, respectively. The pricing of the rental fees has been determined after negotiation on arm's length basis and with reference to the then prevailing market price of local properties with similar size, quality and location. It is proposed that the annual caps for the rental amounts under the Renewed Victoria Land Tenancy Agreement shall be approximately S$84,000 for FY2019 which is calculated based on the agreed rental fee under the Renewed Victoria Land Tenancy Agreement.

3. Mr. Vincent Tan and Mrs. Marisa Tan

Since the beginning of the Track Record Period until December 2017, Mr. Vincent Tan and Mrs. Marisa Tan had allowed our Group to use a property situated at 61 Ubi Avenue 2, #02-16 Automobile Megamart, Singapore 408898 (the "**Ubi Showroom #16**") for the purpose of a showroom for nil consideration. The Ubi Showroom #16 is jointly owned by Mr. Vincent Tan and Mrs. Marisa Tan. Mr. Vincent Tan is an Executive Director and a Controlling Shareholder of our Company and Mrs. Marisa Tan, being the spouse of Mr. Vincent Tan, are both connected persons of our Company. Accordingly, the transactions with Mr. Vincent Tan and/or Mrs. Marisa Tan constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

In order to avoid reliance on Mr. Vincent Tan, our Controlling Shareholder, our Group has entered into a tenancy agreement with Mr. Vincent Tan and Mrs. Marisa Tan on 1 January 2018 (the "**VM Tenancy Agreement**"). Pursuant to the VM Tenancy Agreement, Mr. Vincent Tan and Mrs. Marisa Tan agreed to lease the Ubi Showroom #16 to our Group for a monthly rental fee of S$8,000. The term of the VM Tenancy Agreement is for two years from 1 January 2018 to 31 December 2019. The pricing of the rental fee has been determined after negotiation on arm's length basis and with reference to the then prevailing market price of local properties with similar size, quality and location. The rental amount paid by our Group to Mr. Vincent Tan and Mrs. Marisa Tan was approximately S$96,000 for FY2018. It is proposed that the annual caps for the rental amounts under the VM Tenancy Agreement shall be approximately S$96,000 for FY2019 which is calculated based on the agreed rental fee under the VM Tenancy Agreement.

LISTING RULES IMPLICATIONS ON THE AGGREGATION OF TRANSACTIONS UNDER RULES 14A.81 TO 14A.86

Given the relationships of Mr. Vincent Tan, Mrs. Marisa Tan and Ms. Marie Beng Lee Mien, the transactions under the Renewed Autumn Silver Tenancy Agreement, the Renewed Victoria Land Tenancy Agreement and the VM Tenancy Agreement shall be aggregated as if they were one transaction. The above transactions are made in the ordinary and usual course of our business and on normal commercial terms and, whether aggregated or not, the relevant percentage ratios (other than the profits ratio) of the aggregate transaction value on an annual basis is less than 5% and the annual transaction value for the above transactions, whether aggregated or not, is less than HK$3.0 million. Accordingly, the above transactions fall within the de minimis rule under Rule 14A.76 of the Listing Rules and are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our Independent Non-Executive Directors) are of the view that (i) the exempt continuing connected transactions as set out above have been entered into our ordinary and usual course of business on normal commercial terms or on terms better to us, and are fair and reasonable and in the interest of our Company and our Shareholders as a whole; and (ii) the proposed annual caps for the exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

Authorised share capital:		**HK$**
10,000,000,000	Shares	100,000,000

Shares in issue or to be issued, fully paid or credited as fully paid:

100	Shares in issue	1
694,999,900	Shares to be issued pursuant to Capitalisation Issue (includes 20,000,000 Sale Shares)	6,949,999
205,000,000	New Shares to be issued pursuant to the Share Offer	2,050,000
900,000,000	Shares in Total	9,000,000

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Capitalisation Issue and the Share Offer are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or any Shares repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of Listing and at all time thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the Listing Rules).

RANKINGS

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

CAPITALISATION ISSUE

Pursuant to the resolutions in writing of all our Shareholders passed on 1 February 2019, subject to the share premium account of our Company being credited as a result of the Listing, our Directors were authorised to allot and issue a total of 694,999,900 Shares to the existing Shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$6,949,999 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the Shares in issue (save for the right to participate in the Capitalisation Issue).

CIRCUMSTANCES WHERE MEETING OF OUR COMPANY IS REQUIRED

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

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "14. Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE SHARES

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

(a) 20% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme); and

(b) the aggregate number of Shares which may be repurchased pursuant to the authority granted to our Directors as referred to in the paragraph headed "General Mandate to Repurchase Shares" in this section below.

For further details of this general mandate, please refer to the paragraph headed "Statutory and General Information — Further Information about our Company and its Subsidiaries — 4. Resolutions in writing of all our Shareholders passed on 1 February 2019" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the section headed "Structure and Conditions of the Share Offer" in this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent an aggregate number of Shares of not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any options which may be granted under the Share Option Scheme).

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

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

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any other applicable laws of the Cayman Islands to be held; or

(c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

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

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), based on the information available on the Latest Practicable Date, the following persons/entities will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

		Shares held immediately following completion of the Reorganisation *(Note 1)*		Shares held immediately following completion of the Capitalisation Issue and the Share Offer *(Note 1)*	
Name	**Capacity/ Nature of interest**	**Number of Shares**	**Percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Gatehouse Ventures	Beneficial owner *(Note 2)*	90(L)	90%	605,500,000(L)	67.3%
Mr. Vincent Tan	Interest in controlled corporation *(Note 2)*	90(L)	90%	605,500,000(L)	67.3%
Mrs. Marisa Tan	Interest of spouse *(Notes 2, 3)*	90(L)	90%	605,500,000(L)	67.3%
Gifted Ally	Beneficial owner	10(L)	10%	69,500,000(L)	7.7%
Mr. Ng Tat Po	Interest in controlled corporation *(Note 4)*	10(L)	10%	69,500,000(L)	7.7%
Ms. Sham Wai Shan Suzanne . .	Interest of spouse *(Note 5)*	10(L)	10%	69,500,000(L)	7.7%

Notes:

(1) The letter "L" denotes the person's long position in the relevant shares.

(2) All the issued shares of Gatehouse Ventures are legally and beneficially owned as to 100% by Mr. Vincent Tan. Accordingly, Mr. Vincent Tan is deemed to be interested in 605,500,000 Shares held by Gatehouse Ventures by virtue of the SFO. Mr. Vincent Tan is a Controlling Shareholder and an Executive Director of our Company.

(3) Mrs. Marisa Tan is the spouse of Mr. Vincent Tan and is therefore deemed to be interested in all the Shares that Mr. Vincent Tan is interested in via Gatehouse Ventures by virtue of the SFO.

(4) All the issued shares of Gifted Ally are legally and beneficially owned as to 100% by Mr. Ng Tat Po. Accordingly, Mr. Ng Tat Po is deemed to be interested in all the Shares held by Gifted Ally by virtue of the SFO.

(5) Ms. Sham Wai Shan Suzanne is the spouse of Mr. Ng Tat Po and is therefore deemed to be interested in all the Shares that Mr. Ng Tat Po is interested in via Gifted Ally by virtue of the SFO.

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

UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the Stock Exchange, details of which are set out in the section headed "Underwriting" in this prospectus. Our Controlling Shareholders and our Company have also given undertakings in respect of the Shares and the Stock Exchange as required by Rules 10.07(1) and 10.08 of the Listing Rules, respectively.

You should read this section in conjunction with our Group's audited combined financial statements, including the notes thereto, as set out in the Accountant's Report set out in Appendix I to this prospectus. Our Group's combined financial statements have been prepared in accordance with the International Financial Reporting Standards (the "IFRS"). You should read the entire Accountant's Report and not merely rely on the information contained in this section.

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

OVERVIEW

We are a Singapore-based motor vehicle group selling new parallel-import and pre-owned vehicles with the main business being the sales of brand new parallel-import motor vehicles during the Track Record Period. Apart from the sales of motor vehicles, we also provide related services and products, such as (i) provision of motor vehicle financing services; (ii) provision of motor vehicle insurance agency services; and (iii) sales of motor vehicle spare parts and accessories. In addition, as part of our core business, we also provide motor vehicle leasing services. During the Track Record Period, our Group recorded total revenue of approximately S$144.4 million, S$204.9 million and S$185.0 million for FY2016, FY2017 and FY2018, respectively.

With respect to our business of sales of motor vehicles, we generated approximately S$137.9 million, S$197.0 million and S$176.2 million for FY2016, FY2017 and FY2018, respectively, representing approximately 95.5%, 96.1% and 95.2% of the total revenue for the respective years. We carry a range of motor vehicle types from brands originating from Japan and Europe, offering our customers a selection of new and pre-owned motor vehicles. During the Track Record Period, our new motor vehicles are parallel-import and are sourced mainly from our local suppliers who import the vehicles from Japan and Europe, and our pre-owned motor vehicles are mainly sourced from our customers trading in their pre-owned motor vehicles.

In addition, to support our sales of motor vehicle business we also provide related services such as motor vehicle financing services and insurance agency services to our customers. We offer motor vehicle financing services to our customers in two ways, namely, (i) by assisting our customers to obtain financing from a financial institution (which include banks), in return for a commission income; and (ii) by providing our direct in-house motor vehicle financing to our customers through entering into hire purchase agreements or finance lease agreements. For insurance agency services, we will assist our customers to obtain the appropriate policies with the relevant insurance institutions in return for a commission income. During the Track Record Period, we recognised aggregate revenue of approximately S$4.6 million, S$6.0 million and S$5.9 million for FY2016, FY2017 and FY2018, respectively, from the provision of motor vehicle financing services, representing approximately 3.2%, 2.9% and 3.2% of the total revenue of our Group for the respective years. We also recognised revenue of approximately S$434,000, S$370,000 and S$418,000 for FY2016, FY2017 and FY2018, respectively, from insurance agency services, representing approximately 0.3%, 0.2% and 0.2% of the total revenue of our Group for the respective years.

Our sales of spare parts and accessories business, which commenced during FY2016, generated revenue of approximately S$85,000, S$61,000 and S$122,000 for FY2016, FY2017 and FY2018, respectively.

In addition, we also recognised revenue of approximately S$1.3 million, S$1.5 million and S$2.4 million for FY2016, FY2017 and FY2018, respectively, from our leasing of motor vehicles business, representing approximately 0.9%, 0.7% and 1.3% of the total revenue of our Group for the respective years.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 July 2017. In preparation of the Listing, our Group underwent the Reorganisation, as detailed in the section headed "History, Reorganisation and Group Structure" in this prospectus. As a result of Reorganisation, our Company has become the holding company of the companies now comprising our Group on 1 February 2019.

The combined statements of comprehensive income, combined statements of financial position, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period as set out in Accountant's Report in Appendix I to this prospectus are prepared as if the current group structure had been in existence throughout the Track Record Period. For further details, please refer to Note 1.3 and Note 2.1 to the Accountant's Report as set out in Appendix I to this prospectus.

We adopted a full retrospective application of IFRS 9 and IFRS 15, which have been applied on a consistent basis throughout the Track Record Period. We believe that the adoption of IFRS 9 and IFRS 15, as compared to the requirements of IAS 18 and IAS 39, does not have significant impact on our financial position and performance during the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed "Risk Factors" in this prospectus.

Implementation of measures, laws and/or regulations related to motor vehicle ownership and affordability

Our sales may be affected by the COE quota and other measures introduced by the Singapore government to control vehicle ownership. Depending on the COE premium trends, higher COE premium would lead to higher overall car-purchasing costs and diminish the market's demand for new cars prior to the expiry of the 10-year validity period for COEs.

Similarly, the Singapore government may introduce other measures or pass new laws and regulations that aim to restrict motor vehicle ownership. For instance, if measures are introduced to decrease the maximum loan-to-value ratio for the purchase of motor vehicles (i.e. the buyer has to pay a larger amount of deposit and may take out a lower amount of loan to finance the motor vehicle purchase), this may have a negative impact on our sales of motor vehicle business as well as motor vehicle financing service business.

Ability to obtain sufficient financing on acceptable terms

We rely on bank borrowings and financing arrangements with different financial institutions for funding to operate our business, including the working capital essential for the acquisition of motor vehicles inventories as well as providing motor vehicle financing services. As such, our profitability and financial performance will depend on our ability to obtain adequate financing on acceptable terms. Any material change in our borrowing cost due to the factors including interest rates fluctuations may consequently affect our business, results of operations and financial condition.

Competition

According to the CIC Report, the market for parallel-import vehicle dealers remains rather fragmented with over 200 parallel-import motor vehicle dealers. Parallel-import motor vehicle dealers also face competition from the authorised dealers. Consequently, should there be any disruption to our operations, we may risk losing customers' confidence and our reputation in the industry, intuitively our profitability and financial performance may be adversely affected.

Movement of exchange rate

Foreign currency fluctuation of the country of origin of our parallel-import motor vehicles would affect the costs as well as selling prices of the parallel-import motor vehicles which would affect the customer's demand. In addition, as we also source our supplies through overseas suppliers and payment for such motor vehicles are mainly denominated in foreign currencies such as JPY, Euro and GBP, etc., whilst our sales and revenue are primarily denominated in SGD, we are subject to foreign exchange risks. To the extent that our Group's sales and purchases and operating costs are not denominated in the same currency and to the extent that there are timing differences between invoicing and collections/ payment to suppliers, we may be exposed to foreign currency exchange gains or losses arising from transactions in currencies other than our reporting currency, namely SGD.

Hypothetical sensitivity analysis

For illustrative purpose only, the following table sets out a sensitivity analysis of the effect of fluctuations in the revenue, cost of motor vehicles (and related costs) sold, purchase costs of motor vehicles, selling and distribution expenses and finance expenses on the profits for the Track Record Period assuming all other factors were to remain unchanged.

Hypothetical fluctuations	**-10%**	**-5%**	**5%**	**10%**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Change in revenue of motor vehicles				
FY2016	(13,792)	(6,896)	6,896	13,792
FY2017	(19,699)	(9,849)	9,849	19,699
FY2018	(17,619)	(8,810)	8,810	17,619
Change in cost of motor vehicles (and related costs) sold				
FY2016	12,814	6,407	(6,407)	(12,814)
FY2017	18,195	9,098	(9,098)	(18,195)
FY2018	16,157	8,079	(8,079)	(16,157)

Hypothetical fluctuations	**-10%**	**-5%**	**5%**	**10%**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Change in purchase costs of motor vehicles				
FY2016	7,696	3,848	(3,848)	(7,696)
FY2017	11,009	5,505	(5,505)	(11,009)
FY2018	11,193	5,596	(5,596)	(11,193)
Change in selling and distribution expenses				
FY2016	356	178	(178)	(356)
FY2017	429	214	(214)	(429)
FY2018	389	194	(194)	(389)
Change in finance expenses				
FY2016	139	70	(70)	(139)
FY2017	153	77	(77)	(153)
FY2018	168	84	(84)	(168)

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Note 2 of the Accountant's Report as set out in Appendix I to this prospectus sets out further information regarding certain significant accounting policies, which are important for an understanding of the financial condition and results of operation of our Group. Some of our accounting policies involve subjective assumptions, estimates and judgements. In the application of our accounting policies, our management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and other associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis.

The following is a summary of the accounting policies and estimates that are critical to the presentation of our financial results. Please refer to Notes 2 and 4 of the Accountant's Report set out in Appendix I to this prospectus for further details.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. Depending on the terms of the contract and the laws that apply to the contract, revenue may be recognised over time or at a point in time. Our Group recognises revenue when specific criteria have been met for each of our Group's activities as described below.

Revenue from sales of car spare parts/accessories and direct sales of motor vehicle are recognised upon transfer of control to customer which generally coincides with the time when car spare parts/accessories and motor vehicles are delivered and accepted by the customers. Payment of the transaction price is due immediately when the customer purchases the car spare parts/accessories and motor vehicle. Revenue excludes goods and services tax and motor vehicles registration fees and is arrived at after the deduction of trade discounts.

Revenue from sales of motor vehicles under finance lease arrangements and hire purchase arrangements is recognised upon transfer of control to customer which generally coincides with the time when the motor vehicles are delivered and accepted by the customers. The corresponding leased asset is recognised as finance lease receivable is recognised on the combined statements of financial position.

A contract asset is our Group's right to consideration in exchange for goods or services that our Group has transferred to a customer, and it should be presented separately. Incremental cost of obtaining a contract is capitalised if our Group expects to recover those costs, unless the amortisation period for such costs would be one year or less. Costs that will be incurred regardless of whether the contract is obtained are expensed as they are incurred. Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Vehicle salesperson's commission is recognised at the same point in time with the recognition of the sales of the related motor vehicle.

Our Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, our Group does not adjust any of the transaction prices for the time value of money.

Rental income from leasing of motor vehicles is recognised on a straight-line basis in accordance with the terms of the operating leases.

Interest income arising from finance lease arrangement is recognised on a time-proportion basis using the effective interest method.

Finance and insurance commission income is recognised upon the effective commencement date of the customers' qualifying loan and insurance policies.

Service income is recognised upon rendering of services.

A contract liability is our Group's obligation to render the goods or services to a customer for which our Group has received consideration from the customer.

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all our Group's contracts have a duration of 1 year or less.

Our Group provides warranties for new motor vehicles. These warranties do not require services to be rendered but only an assurance that the motor vehicles meet agreed-upon specifications. Please refer to Note 2.17 of the Accountant's Report set out in the Appendix I to this prospectus for further details.

Leases

(a) When our Group is the lessee

Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in combined statements of comprehensive income on a straight-line basis over the period of the lease.

Contingent rent are recognised as an expense in the period in which they are incurred.

Finance leases

Leases where our Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the combined statements of financial position as property, plant and equipment and finance lease liabilities respectively at the inception of the leases at the lower of the fair values of the leased assets and the present values of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liabilities. The finance expense is recognised in combined statements of comprehensive income and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liabilities.

(b) Where our Group is the lessor

Operating leases

Leases of leased assets where our Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in combined statements of comprehensive income on a straight-line basis over the lease term.

Initial direct costs incurred by our Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in combined statements of comprehensive income over the lease term on the same basis as the lease income. Contingent rents are recognised as income in combined statements of comprehensive income when earned.

Finance leases

Leases where our Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees are classified as finance leases. Our Group will recognise an outright revenue arising from the leased assets, at a lower of the fair value or present value of the minimum lease payments computed at a market interest rate. The difference between the sale revenue and the cost of sale is the selling profit or loss.

The leased asset is derecognised and the present value of the lease receivable is recognised on the combined statements of financial position and included in finance lease receivables. The difference between the gross receivables and the present value of the lease receivables is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivables to reduce both the principal and the unearned finance income. The finance income is recognised in combined statements of comprehensive income on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

Initial indirect costs incurred by our Group in negotiating and arranging finance leases is recognised in combined statements of comprehensive income in the financial period corresponding to the recognition of selling profit.

Finance lease receivables that are factored out to banks with recourse to our Group is not derecognised until the recourse period has expired and the risk and rewards of the finance lease receivables have been fully transferred. The corresponding cash received from the banks is recorded as block discounting financing that is classified under borrowings.

Income taxes

Our Group has exposure to income taxes in Singapore. In determining the income tax liabilities, management is required to estimate the amount of capital allowances, deductibility of certain expenses and applicable tax incentives. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Our Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax recognised in the period in which such determination is made.

Net realisable value of inventories

Motor vehicles held as inventories for sale are valued periodically. Our Group's management determines the net realisable value of the motor vehicles by applying judgement and certain assumptions. Our Group's management evaluates, among other factors, the conditions of the motor vehicles, the prevailing COE quota and premium, past sales performance of the respective models and intended marketing strategies. Our Group's management will revise the carrying amounts to the realisable value when they are significantly different to those previously estimated.

Provision for trade receivables and finance lease receivables

Our Group's management reviews its receivables for objective evidence of impairment on a monthly basis. The provision policy for trade receivables and finance lease receivables of our Group is based on the evaluation of collectability and ageing analysis of accounts and on our Group's management's judgement. A considerable amount of judgement is required in calculating the expected credit losses of these receivables, including the current creditworthiness and the past collection of each customer and adjusted for forward looking macroeconomic data. If the financial conditions of customers of our Group were to deteriorate, resulting in impairment of their ability to make payments, additional provision may be required.

Useful lives of property, plant and equipment

Our Group's management determines the estimated useful lives for those motor vehicles used for short term operating leases based on our Group's intention to derive the future economic benefits from the expected level of usage of those motor vehicles over short term operating leases arrangement. Management will increase the depreciation expense where useful lives are materially less than previously estimated useful lives. Actual useful lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expenses in the future periods.

SUMMARY OF RESULTS OF OPERATIONS

The selected financial information from our combined statements of comprehensive income during the Track Record Period set forth below is extracted from and should be read in conjunction with the Accountant's Report as set out in Appendix I to this prospectus.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	FY2016	FY2017	FY2018
	S$'000	*S$'000*	*S$'000*
Revenue	144,375	204,898	184,993
Cost of sales	(129,223)	(182,843)	(162,959)
Gross profit	15,152	22,055	22,034
Other income	399	521	463
Other (losses)/gains — net	(561)	178	114
Selling and distribution expenses	(3,556)	(4,289)	(3,885)
General and administrative expenses	(4,626)	(5,322)	(6,959)
Listing expenses	—	(1,939)	(1,016)
Operating profit	6,808	11,204	10,751
Finance income	254	124	Negligible
Finance expenses	(1,391)	(1,533)	(1,677)
Finance expenses — net	(1,137)	(1,409)	(1,677)
Profit before tax	5,671	9,795	9,074
Income tax expense	(1,035)	(1,799)	(1,645)
Profit and total comprehensive income for the year	4,636	7,996	7,429

DESCRIPTION OF SELECTED COMPONENTS OF COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue amounted to approximately S$144.4 million, S$204.9 million and S$185.0 million for FY2016, FY2017 and FY2018, respectively. We generate our revenue from (i) sales of new parallel-import motor vehicles and pre-owned motor vehicles; (ii) provision of motor vehicles financing services; (iii) leasing of motor vehicles; (iv) provision of motor vehicles insurance agency services; and (v) sales of motor vehicle spare parts and accessories. Revenue generated through sales of motor vehicles accounted for 95.5%, 96.1% and 95.2% of our total revenue for FY2016, FY2017 and FY2018, respectively. The following table sets forth our Group's revenue breakdown during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Revenue						
Sales of motor vehicles	137,916	95.5	196,989	96.1	176,194	95.2
Provision of motor vehicles financing services:						
(i) Finance commission income	2,708	1.9	3,987	1.9	3,812	2.1
(ii) Interest income from finance lease arrangements *(Note)*	1,918	1.3	2,017	1.0	2,077	1.1
Rental income from lease of motor vehicles under operating lease	1,314	0.9	1,474	0.7	2,370	1.3
Insurance commission income	434	0.3	370	0.3	418	0.2
Sales of spare parts and accessories	85	0.1	61	Negligible	122	0.1
Total	144,375	100.0	204,898	100.0	184,993	100.0

Note: Represents interest income generated from direct motor vehicle financing services through entering into either hire purchase agreements or finance lease agreements.

During the Track Record Period, over 95% of the revenue of our Group were generated from customers located in Singapore. During the Track Record Period, our sales of motor vehicle business are mostly local sales and occasionally we also conduct export sales to certain overseas customers.

Sales of motor vehicles business

Given the nature and focus of our sales business, our sales customers are typically individual or corporate customers who are the end customers, with sales to which accounted for approximately 79.3%, 79.0% and 65.4% of our total sales of motor vehicles for FY2016, FY2017 and FY2018, respectively. Our customers also include motor vehicle dealers who may purchase motor vehicles from us to on-sell to their customers.

The table below sets out the breakdown of revenue generated through sales of motor vehicle business by customer type during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Individual and corporate customers	109,299	79.3	155,645	79.0	115,204	65.4
Motor vehicle dealers	28,617	20.7	41,344	21.0	60,990	34.6
Total motor vehicle sales	137,916	100.0	196,989	100.0	176,194	100.0

Our business of sales of motor vehicles includes sales of new parallel-import motor vehicles and pre-owned motor vehicles. We carry a wide range of motor vehicles from brands originating from Europe and Japan to our customers. Below is a summary of our sales of motor vehicles business by new and pre-owned motor vehicles during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
New motor vehicles	119,559	86.7	170,214	86.4	148,566	84.3
Pre-owned motor vehicles	18,357	13.3	26,775	13.6	27,628	15.7
Total motor vehicle sales	137,916	100.0	196,989	100.0	176,194	100.0

The following table sets forth a summary of the sales volume and the corresponding revenue amount generated from the sales of motor vehicles business by motor vehicle type and customer type during the Track Record Period:

	FY2016			FY2017			FY2018		
	# of units sold	Average selling price	Revenue	# of units sold	Average selling price	Revenue	# of units sold	Average selling price	Revenue
		S$'000	*S$'000*		*S$'000*	*S$'000*		*S$'000*	*S$'000*
Customer type									
Individual and corporate customers	1,042	105	109,299	1,281	122	155,645	1,188	97	115,204
Motor vehicle dealers	739	39	28,617	778	53	41,344	1,057	58	60,990
Total	1,781	77	137,916	2,059	96	196,989	2,245	78	176,194
Motor vehicle									
New cars	1,272	94	119,559	1,514	112	170,214	1,664	89	148,566
Pre-owned cars	509	36	18,357	545	49	26,775	581	48	27,628
Total	1,781	77	137,916	2,059	96	196,989	2,245	78	176,194

The average selling price of our Group for new cars includes car body and the COE premium whereas for pre-owned cars the selling price had reflected a fraction of the original COE premium. During the Track Record Period, our average selling price of new cars was consistent with the industry average of parallel-import motor vehicle dealers. Our average selling price of pre-owned cars was lower than the industry average of parallel-import motor vehicle dealers which was mainly due to the fact that (i) during the Track Record Period, our Group sold majority of the pre-owned motor vehicles to motor vehicle dealers with a lower profit margin in return for quicker working capital turnover for new motor vehicle sales; and (ii) to facilitate our new motor vehicle sales business during the Track Record Period, the majority of our pre-owned motor vehicles inventory were sourced from trade-in customers, the make and model of which may not have the marketability and under such circumstances the selling price could not be favourable to us.

Motor vehicle financing services business

Our Group also earns interest income and commission income derived from the provision of motor vehicle financing services to our customers. We assist our customers to obtain financing from a suitable financial institution, in return for a commission income. By providing motor vehicle hire purchase financing directly to our customers, we derive interest income.

We enter into either hire purchase agreements or finance lease agreements with our customers, with the former being the vast majority of cases. During the Track Record Period, we did not enter into any new finance lease agreements with our customers. We are currently focused on the provision of motor vehicle financing through hire purchase, rather than finance lease, because from our experience, hire purchase financing is the more popular option among our customers. Typically under our hire purchase arrangements, our customers will make an initial deposit as part of the motor vehicle selling price and the remaining balance will be paid by monthly instalments over the terms of the hire purchase arrangements. The monthly instalment will cover both the principal and interest, which is stated and agreed in the signed hire purchase agreements.

Our revenue from the provision of motor vehicle financing service business amounted to approximately S$4.6 million, S$6.0 million and S$5.9 million for FY2016, FY2017 and FY2018, respectively, representing approximately 3.2%, 2.9% and 3.2% of the total revenue for the aforesaid years, respectively. The table below sets out the breakdown of our motor vehicle financing services during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Provision of motor vehicles financing						
Finance commission income	2,708	58.5	3,987	66.4	3,812	64.7
Interest income from finance lease arrangements	1,918	41.5	2,017	33.6	2,077	35.3
	4,626	100.0	6,004	100.0	5,889	100.0

Insurance agency services business

Our revenue from provision of insurance agency service represents the commission income receivable from insurance companies for arranging for the appropriate policy or policies with the relevant insurance institutions for our customers.

Our revenue from provision of insurance agency service amounted to approximately S$434,000, S$370,000 and S$418,000 for FY2016, FY2017 and FY2018, respectively, representing approximately 0.3%, 0.3% and 0.2% of the total revenue for the aforesaid years, respectively.

Leasing of motor vehicles

Our revenue generated from leasing of motor vehicles represents the rental income under the operating leases. The income is recognised on a straight line basis in accordance with the terms of the operating leases. Our rental income from leasing of motor vehicles amounted to approximately S$1.3 million, S$1.5 million and S$2.4 million for FY2016, FY2017 and FY2018, respectively, representing approximately 0.9%, 0.7% and 1.3% of the total revenue for the aforesaid years, respectively.

Sales of spare parts and accessories

Following the obtaining of the authorised BRABUS distributorship for BRABUS cars and tuning parts in Singapore in 2016, we also began to generate revenue from sales of spare parts and accessories, including electronic accessories and cosmetic enhancements during FY2016. We generated revenue of approximately S$85,000, S$61,000 and S$122,000 for FY2016, FY2017 and FY2018, respectively.

Cost of sales

Our Group's cost of sales comprised (i) the cost of motor vehicles (and related costs) sold; (ii) the cost of leasing of motor vehicles; and (iii) cost of spare parts and accessories sold. The following table sets out a summary of our cost of sales during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Cost of motor vehicles (and related costs) sold	128,142	99.2	181,952	99.5	161,570	99.1
Cost of leasing of motor vehicles	1,016	0.8	862	0.5	1,293	0.8
Cost of spare parts and accessories sold	65	Negligible	29	Negligible	96	0.1
Total	129,223	100.0	182,843	100.0	162,959	100.0

Our cost of motor vehicles (and related costs) sold mainly represented the purchase costs of inventories, purchase cost of COE, other government charges, such as road tax, registration fee and carbon emission surcharge, etc, and the costs of repair and maintenance incurred which mainly include (i) new car spare parts and accessories installation; (ii) costs of warranty services; and (iii) pre-owned motor vehicles repair and maintenance. The following table sets out the components of our cost of motor vehicles (and related costs) sold during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Purchase cost of motor vehicles	76,964	60.1	110,092	60.5	111,928	69.3
COE and other government charges	47,933	37.4	65,481	36.0	43,229	26.8
Cost of repairs and maintenance	3,245	2.5	6,379	3.5	6,413	3.9
Total	128,142	100.0	181,952	100.0	161,570	100.0

Our cost of leasing of motor vehicles includes depreciation charge and insurance expenses on the rented motor vehicles, cost of repairs and maintenance, and other related costs. The depreciation charge on motor vehicles for leasing is calculated based on our management's estimate of the respective useful lives of these motor vehicles. The following table sets forth the breakdown of the cost of leasing of motor vehicles during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Depreciation charge on motor vehicles for leasing	616	60.6	696	80.7	953	73.7
Insurance expenses	130	12.8	37	4.3	142	11.0
Cost of repairs and maintenance	129	12.7	88	10.2	118	9.1
Other related costs	141	13.9	41	4.8	80	6.2
Total	1,016	100.0	862	100.0	1,293	100.0

Gross profit and gross profit margin

Our total gross profit was mainly contributed by the sales of motor vehicle business, which accounted for approximately 64.5%, 68.2% and 66.4% of total gross profit for FY2016, FY2017 and FY2018, respectively. The table below sets out the breakdown of the analysis of our gross profit and gross profit margin during the Track Record Period:

	FY2016		FY2017		FY2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Sales of motor vehicles	9,774	7.1	15,037	7.6	14,624	8.3
Leasing of motor vehicles	298	22.7	612	41.5	1,077	45.5
Sales of spare parts and accessories	20	23.5	32	52.5	26	21.3
Others *(Note)*	5,060	N/A	6,374	N/A	6,307	N/A
Total	15,152	10.5	22,055	10.8	22,034	11.9

Note: Others mainly included the revenue generated from (i) provision of motor vehicles financing services which include finance commission income and interest income from finance lease arrangements; and (ii) insurance commission income. These items are not applicable for gross profit and gross profit margin as the relevant cost of sales may not be traceable.

The gross profit margin recorded for our new motor vehicle sales and pre-owned motor vehicle sales during the Track Record Period was approximately 10.5% and -8.9%, respectively. Specifically, the gross profit margin from the sales of pre-owned motor vehicles to retail customers and to motor vehicle dealers during the Track Record Period was approximately 4.8% and -13.4%, respectively.

Notwithstanding the fact that the industry average gross profit margin for the sales of pre-owned motor vehicles to retail customers ranges from 5% to 8% as set out in the CIC Report, our Group average gross profit margin derived from the sales of pre-owned motor vehicles to retail customers was lower than the industry range and we recorded negative average gross profit margin for our pre-owned motor vehicles sales business during the Track Record Period. This was mainly due to the fact that we primarily focused on the sales of new motor vehicles during the Track Record Period given the abundance in COE supply during such period. By devoting more resources to new motor vehicle sales rather than pre-owned motor vehicle sales, the profitability of pre-owned motor vehicle sales business was inevitably hampered, particularly since (i) our Group sold the majority of pre-owned motor vehicles to motor vehicle dealers with a lower profit margin in return for quicker working capital turnover required for our new motor vehicle sales; and (ii) the majority of our pre-owned motor vehicles were sourced from customers who traded-in their motor vehicle to which our Group usually offered a higher price in order to attract the owners to purchase new motor vehicle from us. In addition, pre-owned motor vehicles from trade-in are generally of lower marketability which lowers the selling price of such vehicles, as compared with pre-owned motor vehicles sourced on our own, the marketability and conditions of which will be much more well-considered prior to sourcing.

Our Directors believe that our Group's gross profit margin for the sales of new motor vehicles during the Track Record Period was comparable to our peers and was within the industry gross profit margin ranging from 6% to 15% as set out in the CIC Report given our Group offers a wide variety of motor vehicle brands and models. Considering (i) our Group gross profit margin for the sales of new motor vehicles during the Track Record Period had remained stable; (ii) our Group will continue to offer a variety of popular brands and models of motor vehicles from Japanese brands to premium European brands; (iii) we expanded ourselves through the establishment of Leng Kee Autopoint showroom since March 2018 which mainly houses premium and high-end motor vehicles which are normally sold at higher gross profit margin; and (iv) the competitive advantages possessed by our Group as well as our predominant market position in the sales of new parallel-imported motor vehicles with comprehensive sales and after-sale services we offer, our Directors believe that our gross profit margin would be sustainable.

As for the gross profit margin for our sales of pre-owned motor vehicles, our Directors believe that it will be improved going forward given that we intend to expand our pre-owned motor vehicle sales business upon Listing by increasing our sale focus to retail customers as well as placing more resources in building up our pre-owned motor vehicle inventory. For further details in relation to the commercial rationale of our expansion in pre-owned motor vehicle sales business, as well as the strategies on the sourcing of and sales of pre-owned motor vehicles inventory, please refer to the paragraph headed "Business — Our Business Strategies" in this prospectus.

For the business of provision of direct motor vehicle financing services, we measure the margins through the average yield on the interest income, which is calculated by dividing the interest income from this business by the average balance of finance lease receivables (average of beginning and ending finance lease receivable balances for the years).

The following table sets forth our interest income, interest expense of finance lease obligations and block discounting, average balance of finance lease receivable, average balance of finance lease obligations, average yield, average interest expense and net interest spread of provision of direct motor vehicle financing business.

	Note	**FY2016**	**FY2017**	**FY2018**
Direct motor vehicle financing interest income *(S$'000)*	1	1,918	2,017	2,077
Interest expense on finance lease obligations and block discounting *(S$'000)*	2	1,013	1,113	1,198
Average balance of finance lease receivables *(S$'000)*	3	27,530	28,447	27,184
Average balance of finance lease obligations and block discounting *(S$'000)*	4	29,396	31,365	32,552
Average yield	5	6.97%	7.09%	7.64%
Average interest expense	6	3.45%	3.55%	3.68%
Net interest spread of financing	7	3.52%	3.54%	3.96%

Notes:

(1) Represented interest income generated from the provision of direct motor vehicle financing service through finance lease arrangements by way of entering into of hire purchase agreements and finance lease agreements.

(2) Represented our interest expense from finance lease obligations which included block discounting financing and finance lease liabilities.

(3) Represented the average of beginning and ending balances of finance lease receivables for the years.

(4) Represented the average balance of beginning and ending finance lease obligation and block discounting for the years.

(5) Calculated by dividing interest income by average balance of finance lease receivable.

(6) Calculated by dividing interest expense on finance leases by average balance of finance lease obligations and block discounting.

(7) Calculated as the difference between average yield and average interest expense on finance lease obligations and block discounting.

Other income

The table below sets out the breakdown of our Group's other income during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Service income	3	0.8	41	7.9	6	1.3
Government grants	124	31.1	88	16.9	109	23.6
Income from deposit forfeiture	33	8.3	60	11.5	9	1.9
Handling fee income	91	22.8	30	5.7	131	28.3
Sales of workshop accessories	49	12.3	91	17.5	42	9.1
Technical consultancy fee	44	11.0	47	9.0	6	1.3
Freight charges	1	0.2	64	12.3	64	13.8
Others	54	13.5	100	19.2	96	20.7
Total	399	100.0	521	100.0	463	100.0

Note: Others mainly include LTA road tax refund and other miscellaneous income, etc.

Our service income mainly arose from certain miscellaneous services for our motor vehicle sale customers.

Government grants mainly arose from Wage Credit Scheme ("**WCS**") and Special Employment Credit Scheme ("**SECS**") of the Singapore government. WCS was introduced by the Singapore government to help businesses which may face rising wage cost in a tight labour market. WCS payouts will allow businesses to free up resources to make investments in productivity and to share the productivity gains with their employees. WCS will be ended on 31 December 2020. SECS was introduced by the Singapore government to support employers as well as to raise employability of older low-wage Singaporeans. SECS will be ended on 31 December 2019.

Other (losses)/gains, net

Our Group's other (losses)/gains comprise net foreign exchange gains/losses, fair value loss on foreign exchange forward contracts and gain/(loss) on disposal of property, plant and equipment. The table below sets out the breakdown of our Group's other (losses)/gain, net during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Foreign exchange (losses)/gains	(258)	46.0	116	65.2	121	106.1
Fair value losses on foreign exchange forward contracts	(367)	65.4	—	—	—	—
Gain/(loss) on disposal of property, plant and equipment	64	(11.4)	62	34.8	(7)	(6.1)
Total	(561)	100.0	178	100.0	114	100.0

During FY2016, our Group had entered into foreign exchange forward contracts to manage our foreign exchange risk exposure on GBP and JPY.

Selling and distribution expenses

Our Group's selling and distribution expenses comprise (i) advertising and marketing expenses; (ii) employee benefit expenses which mainly comprise basic salaries, commission, central provident fund and other benefits paid to in-house sales representatives; and (iii) the sales commission paid to independent parties for referral of customers to us. The table below sets forth the summary of our Group's selling and distribution expenses during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Advertising and marketing expenses	571	16.1	414	9.6	405	10.4
Employee benefit expenses	2,494	70.1	3,201	74.7	3,177	81.8
Sales commission to external parties	491	13.8	674	15.7	303	7.8
Total	3,556	100.0	4,289	100.0	3,885	100.0

General and administrative expenses

Our Group's general and administrative expenses mainly consist of staff costs, office expenses, legal and professional fee, travelling and entertainment expenses and depreciation expenses. The table below sets forth the summary of our Group's general and administrative expenses during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Employee benefit expenses	2,513	54.3	2,689	50.5	2,894	41.6
Office expenses	167	3.6	235	4.4	294	4.2
Legal and professional fee	109	2.4	277	5.2	192	2.8
Operating lease expenses	546	11.8	537	10.1	1,408	20.2
Bank charges	161	3.5	325	6.1	377	5.4
Travelling and entertainment expenses	243	5.3	278	5.2	157	2.2
Depreciation expenses	213	4.6	319	6.0	736	10.6
Others *(Note)*	674	14.5	662	12.5	901	13.0
Total	4,626	100.0	5,322	100.0	6,959	100.0

Note: Others mainly include other operation expenses, insurance and emission report, etc.

Listing expenses

During the Track Record Period, our Group incurred Listing expenses of approximately S$1.9 million and S$1.0 million for FY2017 and FY2018, respectively, in supporting the preparation of the Listing.

Finance income and finance expenses

The table below sets forth the summary of our Group's finance income and finance expenses during the Track Record Period:

	FY2016		FY2017		FY2018	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Finance income						
Interest income	254	100.0	124	100.0	Negligible	Negligible
Finance expenses						
Bank overdrafts interest	5	0.4	4	0.3	11	0.7
Interest expenses on bank loans	373	26.8	416	27.1	468	27.9
Interest expenses on block discounting financing	804	57.8	895	58.3	879	52.4
Interest expenses on finance lease	209	15.0	218	14.3	319	19.0
	1,391	100.0	1,533	100.0	1,677	100.0

Interest income represents the interest imposed on a customer for late payment of its overdue balances. Interest is charged on the outstanding balance for the number of days the payments are late.

The finance expense mainly represented the interest expenses incurred on the various types of loan facilities and borrowings that we have obtained in order to finance our business for the purchase of motor vehicles and provision of financing services to our customers.

Taxation

Taxation represents income tax paid or payable by us at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction that we operate or domicile. During the Track Record Period, our Group was only subject to Singapore statutory income tax at a rate of 17% and had no other tax payables in other jurisdictions. For FY2016, FY2017 and FY2018, our taxation expense was approximately S$1,035,000, S$1,799,000 and S$1,645,000, respectively, and the effective tax rate, calculated as taxation for the year divided by profit before tax for FY2016, FY2017 and FY2018, was approximately 18.2%, 18.4% and 18.1%, respectively.

Our Directors confirm that, during the Track Record Period and as at the Latest Practicable Date, our Group is not subject to any dispute or unresolved tax issues with the applicable tax authorities.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

FY2016 compared with FY2017

Revenue

Our revenue increased by approximately S$60.5 million or 41.9% from approximately S$144.4 million for FY2016 to approximately S$204.9 million for FY2017, which was mainly attributable to the increase in sales of motor vehicles amounted to approximately S$59.1 million or 42.9%.

Sales of motor vehicles

The sale to individual and corporate customers increased by S$46.3 million or 42.4% and was the main contribution to the increase in overall revenue from that of FY2016.

Our sales of motor vehicles business increased by approximately S$59.1 million or 42.9% from approximately S$137.9 million for FY2016 to approximately S$197.0 million for FY2017. This was mainly attributable to (i) an increase in average selling price of approximately S$19,000 from FY2016 to FY2017, or 24.7%, as a result of proportionately selling more motor vehicles of European brands in FY2017 with new model released as compared in FY2016, which are normally sold at higher prices as compared with Japanese brands; and (ii) an increase in motor vehicles sold by 278 units from FY2016 to FY2017, or approximately 15.6%. Particularly, our Group encountered a sales boom in the fourth quarter of 2017 before the implementation of VES which took effect on 1 January 2018. VES, which has stricter emission standard and was introduced to replace the CEVS, is applicable to all new cars, taxis and newly imported pre-owned cars which would significantly change the rebates and surcharges of some popular vehicle models and hence increase the cost of purchasing of motor vehicles. As a result, some customers chose to purchase those motor vehicle models which would be affected by the VES prior to its implementation and hence the sales of these models of motor vehicles were boosted in the fourth quarter of 2017. For details, please refer to the section headed "Industry Overview" in this prospectus.

Motor vehicle financing services

Our revenue from motor vehicle financing services increased by approximately S$1.4 million or 30.4% from approximately S$4.6 million for FY2016 to approximately S$6.0 million for FY2017. The increment was mainly attributable to the increment of financing arrangements both by way of bank financing for commission and the net increment of 14 entries of direct hire purchase arrangements to our customers, mainly as a result of the increase in the sales of motor vehicles as discussed in the paragraph headed "Year to Year Comparison of Results of Operation — FY2016 compared with FY2017 — Revenue — Sales of motor vehicles" of this section above.

Insurance agency services

Our commission income from insurance companies for referral of our customers varied depending on the insurance premium under the insurance policies. Our commission income from insurance companies decreased by approximately S$64,000 or 14.7% for FY2017 as compared to FY2016.

Leasing of motor vehicles

The income from leasing of motor vehicles increased slightly by approximately S$0.2 million or 15.4% from approximately S$1.3 million for FY2016 to approximately S$1.5 million for FY2017. The increment was mainly attributable to more units of motor vehicles being rented out during FY2017 as compared to FY2016 as there are increasing numbers of customers who lease our vehicles to provide chauffeured services. Our Group's number of motor vehicles being rented to customers was 45 units and 79 units as at 31 December 2016 and 31 December 2017, respectively.

Sales of spare parts and accessories

The income from sales of spare part and accessories decreased by approximately S$24,000 or 28.2% from approximately S$85,000 for FY2016 to approximately S$61,000 for FY2017. Due to the insignificant sales amount of spare parts and accessories, there was no material fluctuation in the sales of spare parts and accessories in FY2017.

Cost of sales

Our cost of sales increased by approximately S$53.6 million or 41.5% from approximately S$129.2 million for FY2016 to approximately S$182.8 million for FY2017. The increment was in line with the growth in revenue by 41.9% for the corresponding year.

For FY2017, the cost of motor vehicles (and related costs) sold increased by approximately S$53.9 million or 42.1% to approximately S$182.0 million from approximately S$128.1 million for FY2016. This was in line with the growth in our sales of motor vehicles business by approximately 42.9% during the corresponding year.

The cost of leasing of motor vehicles remained stable for FY2016 and FY2017 which amounted to approximately S$1.0 million and S$0.9 million, respectively.

Gross profit and gross profit margin

Our total gross profit increased by approximately S$6.9 million or 45.4% from approximately S$15.2 million for FY2016 to approximately S$22.1 million for FY2017 mainly due to increase in gross profit in the sales of motor vehicles business. Also, our gross profit margin slightly increased from approximately 10.5% for FY2016 to approximately 10.8% for FY2017.

Sales of motor vehicles

Our gross profit from sales of motor vehicles increased by approximately S$5.2 million, or 53.1%, from approximately S$9.8 million for FY2016 to approximately S$15.0 million for FY2017, and our gross profit margin increased from approximately 7.1% for FY2016 to 7.6% for FY2017. We have sold proportionately more European brands of motor vehicles with new model released in FY2017 as compared with FY2016, which are normally sold at a higher margin as compared to Japanese brands and hence resulted in a higher overall gross profit margin.

Motor vehicle financing services

The net interest spread for FY2017 remained stable as compared to FY2016.

Leasing of motor vehicles

Our gross profit from leasing of motor vehicles increased by approximately S$314,000, or 105.4%, from approximately S$298,000 for FY2016 to approximately S$612,000 for FY2017, with our gross profit margin increased from approximately 22.7% for FY2016 to 41.5% for FY2017. Such increase in gross profit margin was mainly due to our revenue from leasing of motor vehicle slightly increased by approximately S$0.2 million but the costs of leasing of motor vehicles remained relatively stable.

Sales of spare parts and accessories

Our gross profit from sales of spare parts and accessories increased by approximately S$12,000, or 60.0%, from approximately S$20,000 for FY2016 to approximately S$32,000 for FY2017, with our gross profit margin increased from approximately 23.5% for FY2016 to 52.5% for FY2017. Such increase in gross profit margin was mainly due to our increase in sales of spare parts and accessories at a higher margin.

Other income

Our other income increased by approximately S$0.1 million or 25.0% from approximately S$0.4 million for FY2016 to approximately S$0.5 million for FY2017 mainly due to the increase in miscellaneous income by approximately S$219,000, offset by a decrease in government grant of approximately S$36,000 and a decrease in handling fee income by approximately S$61,000.

Other gains/(losses), net

Our other gains/(losses), net increased by approximately S$0.8 million or 133.3% from a loss of approximately S$0.6 million for FY2016 to a gain of approximately S$0.2 million for FY2017 mainly due to the record of foreign exchange loss of approximately S$0.3 million and a fair value loss on foreign exchange forward contracts of approximately S$0.4 million for FY2016 but we had recorded foreign exchange gain of approximately S$0.1 million for FY2017 instead. We did not enter into any foreign exchange forward contracts during FY2017.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately S$0.7 million or 19.4% from approximately S$3.6 million for FY2016 to approximately S$4.3 million for FY2017. The increase was primarily attributable to the increment in employee benefit expenses on sales commission paid to in-house sales representative, which was in line with higher sales revenue during the same years.

General and administrative expenses

Our general and administrative expense increased by approximately S$0.7 million or 15.2% from approximately S$4.6 million for FY2016 to approximately S$5.3 million for FY2017. The increase was mainly attributable to the increase in (i) employee benefit expenses by approximately S$0.2 million; (ii) bank charges by approximately S$0.2 million; and (iii) legal and professional fees by approximately S$0.2 million.

Listing expenses

In preparation of the Listing, our Group incurred Listing expenses of approximately S$1.9 million for FY2017, while it was S$Nil for FY2016.

Finance income and finance expenses

Our finance income decreased by approximately S$130,000 or 51.2% from approximately S$254,000 for FY2016 to approximately S$124,000 for FY2017 mainly due to less occurrences of late payments by a customer on its overdue balances.

Our finance expense increased by approximately S$0.1 million or 7.1% from approximately S$1.4 million for FY2016 to approximately S$1.5 million for FY2017 mainly due to the increase in bank interest paid of approximately S$0.4 million for new trust receipt loans and finance lease liabilities drawn during the year, and partially offset by decrease in bank interest in relation to net repayment of borrowings.

Income tax expenses

Our income tax expenses increased by approximately S$0.8 million or 80.0% from approximately S$1.0 million for FY2016 to approximately S$1.8 million for FY2017. The effective tax rate slightly increased from 18.2% for FY2016 to 18.4% for FY2017.

Profit and total comprehensive income for the year and net profit margin

As a result of the foregoing, our profit and total comprehensive income for the year increased by approximately S$3.4 million or 72.5% from approximately S$4.6 million for FY2016 to approximately S$8.0 million for FY2017 and our net profit margin increased from approximately 3.2% for FY2016 to approximately 3.9% for FY2017.

FY2017 compared with FY2018

Revenue

Our revenue decreased by approximately S$19.9 million or 9.7% from approximately S$204.9 million for FY2017 to approximately S$185.0 million for FY2018, which was mainly attributable to the decrease in sales of motor vehicles amounted to approximately S$20.8 million or 10.6%.

Sales of motor vehicles

The sale to individual and corporate customers decreased by approximately S$40.4 million or 26.0% which was mainly attributable to the decrease in average selling price for FY2018 as compared with FY2017, from approximately S$122,000 for FY2017 to approximately S$97,000 for FY2018.

Our sales of motor vehicles business decreased by approximately S$20.8 million or 10.6% from approximately S$197.0 million for FY2017 to approximately S$176.2 million for FY2018. This was mainly attributable to the drop of the average selling price per unit of motor vehicles by approximately S$18,000 or 18.8% from FY2017 to FY2018 mainly due to the combined effect that (i) proportionately more Japanese branded motor vehicles were sold, whose average selling price is relatively lower than European branded motor vehicles; and (ii) the general decrease in COE premium from FY2017 to FY2018. The impact of decrease in average selling price was partially offset by the increase in total number of motor vehicles sold by 186 units, or approximately 9.0% in FY2018 as compared to FY2017, which was mainly attributable to the sales of new motor vehicles. Notwithstanding the decrease in total COE quota for Category A, Category B and Category C motor vehicles of approximately 11.9% from 2017 to 2018, we sold more new motor vehicles, which our Directors believe such increase was mainly contributed by the sales efforts in light of the commencement of operation of the Leng Kee Autopoint showroom since March 2018. For details, please refer to the section headed "Industry Overview" in this prospectus.

Motor vehicle financing services

Our revenue from motor vehicle financing services decreased by approximately S$0.1 million or 1.7% from approximately S$6.0 million for FY2017 to approximately S$5.9 million for FY2018. There is no material fluctuation of revenue derived from in motor vehicle financing services business.

Insurance agency services

Our commission income from insurance companies for referral of our customers varied depending on the insurance premium under the insurance policies. Our commission income from insurance companies increased by approximately S$48,000 or 13.0% for FY2018, as compared to FY2017.

Leasing of motor vehicles

The income from leasing of motor vehicles increased by approximately S$0.9 million or 60.0% from approximately S$1.5 million for FY2017 to approximately S$2.4 million for FY2018. The increment was mainly attributable to more units of motor vehicles being rented out during FY2018 as compared to FY2017 as there were increasing numbers of customers who leased our vehicles to provide chauffeured services. Our Group's number of motor vehicles being rented to customers was 79 units and 108 units as at 31 December 2017 and 31 December 2018, respectively.

Sales of spare parts and accessories

The income from sales of spare part and accessories increased by approximately S$61,000 or 100.0% from approximately S$61,000 for FY2017 to approximately S$122,000 for FY2018. Due to the insignificant sales amount of spare parts and accessories, there was no material fluctuation in the sales of spare parts and accessories in FY2018.

Cost of sales

Our cost of sales decreased by approximately S$19.8 million or 10.8% from approximately S$182.8 million for FY2017 to approximately S$163.0 million for FY2018. The decrease was in line with the decrease in our total revenue for year.

For FY2018, the cost of motor vehicles (and related costs) sold decreased by approximately S$20.4 million or 11.2% from approximately S$182.0 million for FY2017 to approximately S$161.6 million for FY2018 and was in line with the decrease in our sales of motor vehicles business by approximately 10.6%.

The cost of leasing of motor vehicles increased from approximately S$0.9 million for FY2017 to approximately S$1.3 million for FY2018, respectively, representing an increase of approximately 44.4%, which was mainly due to increase in revenue of leasing of motor vehicles business.

Gross profit and gross profit margin

As a result of the foregoing, our total gross profit decreased by approximately S$0.1 million or 0.5% from approximately S$22.1 million for FY2017 to approximately S$22.0 million for FY2018, which was mainly attributable to the decrease in the sales of motor vehicles business. Our overall gross profit margin slightly increased from approximately 10.8% for FY2017 to approximately 11.9% for FY2018 which was mainly due to the increase in gross profit margin in the sales of motor vehicles business and leasing business.

Sales of motor vehicles

Our gross profit from sales of motor vehicles decreased by approximately S$0.4 million, or 2.7%, from approximately S$15.0 million for FY2017 to approximately S$14.6 million for FY2018, and our gross profit margin for sales of motor vehicles was approximately 7.6% for FY2017 and approximately 8.3% for FY2018. The increase in gross profit margin for sales of motor vehicles was mainly contributed to that we have sold more motor vehicles of Japanese brands with new model released in FY2018 which has higher profit margin due to popular demand.

Motor vehicle financing services

Our net interest spread for FY2018 increased by approximately 0.42% from approximately 3.54% for FY2017 to approximately 3.96% for FY2018, as a result of the effect of a larger increase of approximately 0.55% in the average yield on finance lease receivables than an increase of 0.13% in the average interest expense. The increase of approximately 0.55% in the average yield on finance lease receivables was mainly due to the decrease in average balance of finance lease receivables for FY2018 as a result the lower average principal amount for our hire purchase financing in FY2018 as compared with FY2017. The interest rate charged on the finance lease receivables remained stable.

Leasing of motor vehicles

Our gross profit from leasing of motor vehicles increased by approximately S$488,000, or 79.7%, from approximately S$612,000 for FY2017 to approximately S$1.1 million for FY2018, with our gross profit margin from leasing of motor vehicles increased from approximately 41.5% for FY2017 to 45.5% for FY2018. Such increase in gross profit margin was mainly due to our revenue from leasing of motor vehicle had increased by approximately S$0.9 million or approximately 60.0%, while the costs of leasing of motor vehicles increased by approximately S$0.4 million or approximately 44.4%.

Sales of spare parts and accessories

Our gross profit from sales of spare parts and accessories decreased by approximately S$6,000, or 18.8%, from approximately S$32,000 for FY2017 to approximately S$26,000 for FY2018, while our gross profit margin from sales of spare parts and accessories decreased from approximately 52.5% for FY2017 to 21.3% for FY2018. Such decrease in gross profit margin was mainly due to the cost of spare parts and accessories sold has increased from approximately S$29,000 for FY2017 to approximately S$96,000 for FY2018, representing an increase of approximately 231.0%.

Other income

Our other income remained stable for FY2017 and FY2018 which amounted to approximately S$0.5 million and S$0.5 million, respectively.

Other (losses)/gains, net

Our other (losses)/gains, net decreased by approximately S$0.1 million or 50.0% from a net gain of approximately S$0.2 million for FY2017 to a net gain of approximately S$0.1 million for FY2018 mainly due to the combination effect of (i) increased in foreign exchange gain of approximately S$5,000 or 4.3% from an exchange gain of approximately S$116,000 in FY2017 to S$121,000 in FY2018; and (ii) our disposal of property, plant and equipment recorded from gain of approximately S$62,000 in FY2017 to loss of approximately S$7,000 in FY2018.

Selling and distribution expenses

Our selling and distribution expenses remained stable for FY2017 and FY2018 which amounted to approximately S$4.3 million and S$3.9 million, respectively.

General and administrative expenses

Our general and administrative expense increased by approximately S$1.7 million or 32.1% from approximately S$5.3 million for FY2017 to approximately S$7.0 million for FY2018. The increase was mainly attributable to the increase in (i) employee benefit expenses by approximately S$0.2 million; and (ii) additional operating lease expenses and depreciation expenses mainly attributable to the commencement of operation of Leng Kee Autopoint showroom in March 2018 by approximately S$0.9 million and S$0.4 million, respectively.

Listing expenses

In preparation of the Listing, our Group incurred Listing expenses of approximately S$1.0 million for FY2018, while it was approximately S$1.9 million for FY2017.

Finance income and finance expenses

Finance income represents late payments by customers on overdue balance. We had minimal finance income for FY2018.

Our finance expense increased by approximately S$0.2 million or 13.3% from approximately S$1.5 million for FY2017 to approximately S$1.7 million for FY2018. The increase in finance expenses was mainly attributable to the increase in interest expenses on bank loans and finance leases.

Income tax expenses

Our income tax expenses remained stable for FY2017 and FY2018 which amounted to approximately S$1.8 million and S$1.6 million, respectively. The effective tax rate remained relatively stable at approximately 18.4% for FY2017 and approximately 18.1% for FY2018, respectively.

Profit and total comprehensive income for the year and net profit margin

As a result of the foregoing, our profit and total comprehensive income for the year decreased by approximately S$0.6 million or 7.5% from approximately S$8.0 million for FY2017 to approximately S$7.4 million for FY2018 and our net profit margin increased from approximately 3.9% for FY2017 to approximately 4.0% for FY2018.

POSSIBLE DETERIORATION IN BUSINESS AND FINANCIAL PERFORMANCE AS A RESULT OF THE EXPECTED DOWNWARD INDUSTRY TREND FOR NEW MOTOR VEHICLE SALES FROM 2018 TO 2023

According to the CIC Report, COE quota experienced a surge between 2014 and 2017 from approximately 30,000 units in 2014 to approximately 89,000 units in 2017, driven by the increasing number of motor vehicle replacements during the period and therefore our Group's business and financial performance had benefited from such growth in the new motor vehicle sales industry during the same period. For FY2016 and FY2017, our Group's total revenue amounted to approximately S$144.4 million and S$204.9 million, respectively, representing a growth of approximately 41.9% in FY2017. Our Group's net profit increased to approximately S$8.0 million, representing a growth of 72.5% for FY2017. As the replacement of existing motor vehicles reaching its peak in FY2017 was commensurate with the supply of COEs attaining the peak of the COE cycle, coupled with the expected decline in the number of close-to-expiring COEs, LTA had started to reduce the COE quota steadily from 2018 and the number of new registrations for private vehicles is expected to decrease accordingly from 2018 to 2023. According to the CIC Report, it is expected that the COE quota will

drop by almost 50% from approximately 89,000 units in 2017 to approximately 45,000 units in 2022 and that the number of new motor vehicle registration will drop by over 50% from approximately 112,000 units in 2017 to approximately 57,000 units in 2023. Correspondingly, the new motor vehicle sales from parallel-import motor vehicle dealers will drop from approximately S$3.5 billion in 2017 to approximately S$2.2 billion in 2023 at a CAGR of approximately -7.5% and an adverse effect in the market for new motor vehicle sales in Singapore is therefore anticipated. For further details in relation to the market conditions of new motor vehicle sales, please refer to the section headed "Industry Overview" in this prospectus. In light of the fact that during the Track Record Period over 80% of our total revenue was derived from the sales of new motor vehicles, our Group's business and financial performance may be adversely affected by the expected downward industry trend of new motor vehicles from 2018 to 2023.

Notwithstanding the above, our Directors are of the view that our Group's business is sustainable in the long run. In March 2018, we expanded our business operations by establishing our Leng Kee Autopoint showroom in the Leng Kee Road, which is at a more prominent location in the main automotive belt in Singapore as compared to our showrooms located at The Alexcier and on Ubi Avenue. Our Directors are of the view that our other sales and marketing strategy with the opening of the Leng Kee Autopoint showroom has proven to be successful. Notwithstanding the decrease in total COE quota for Category A, Category B and Category C motor vehicles of approximately 11.9% from 2017 to 2018, for FY2018, we sold 1,664 units and 581 units of new motor vehicles and pre-owned motor vehicles, respectively, representing a growth of approximately 9.9% and 6.6% respectively as compared with 1,514 units and 545 units of new motor vehicles and pre-owned motor vehicles sold, respectively, in FY2017. Our Directors believe such increase in sales was mainly contributed by the sales efforts in light of the commencement of operation of the Leng Kee Autopoint showroom since March 2018. Upon Listing, we also intend to diversify our business and expand our customer base by implementation of our various future plans which our Directors believe the implementation of such future plans would improve the profitability of our Group and mitigate the impact of the downward trend in the sales of new motor vehicles. Further, despite the expected decline from the peak of approximately S$3.5 billion in 2017, the forecasted sales value of new motor vehicles from parallel importers in 2023 will be approximately S$2.2 billion, which is expected to be greater than that of 2015, being approximately S$2.0 billion. In 2015, our Group recorded net profit of approximately S$4.6 million. Please refer to the paragraph headed "Business — Our Business Strategies" and the section headed "Future Plans and Use of Proceeds" in this prospectus in relation to our Group's intentions to develop complementary businesses and value-added services for our customers, and the paragraph headed "Business — Possible Deterioration in Business and Financial Performance as a result of the Expected Downward Industry Trend For New Motor Vehicle Sales from 2018 to 2023" in this prospectus for our Directors' and the Sole Sponsor's view on the sustainability of our Group's business. Please also refer to the paragraph headed "Risk Factors — The expected downward trend in the sales of new motor vehicles industry in Singapore may adversely affect our business and our financial performance should we be unable to implement appropriate business strategies in response to such downward trend" in this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources

During the Track Record Period, our primary uses of cash are for purchases of motor vehicles for sale and leasing purposes and for funding of our Group's operations. We have financed our operations mainly by various forms of borrowings, including bank overdrafts, bank loans, floor inventory advances, trust receipts, block discounting and finance lease liabilities, etc. During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in settling our obligations in the normal course of business which would have had a material impact to our business, financial condition or results of operations. Going forward, we do not expect any material changes to the underlying drivers of our sources financial resources except for the net proceeds from the Share Offer upon Listing.

Cash flows

The following table summarises our combined statements of cash flows for the Track Record Period:

	FY2016	FY2017	FY2018
	S$'000	*S$'000*	*S$'000*
Operating cash inflows before movements in working capital	7,951	11,861	12,086
Net cash (used in)/generated from operating activities	(847)	14,465	2,763
Net cash used in investing activities	(1,013)	(5,572)	(4,690)
Net cash generated from/(used in) financing activities	3,914	(8,653)	5,843
Net increase in cash and cash equivalents	2,054	240	3,916
Cash and cash equivalents at the beginning of the year	869	2,923	3,163
Cash and cash equivalents at the end of the year	2,923	3,163	7,079

Net cash (used in)/generated from operating activities

We derive our cash flows from operating activities mainly from sales of motor vehicles and receipt of monthly instalments on finance lease arrangements from customers. Our cash outflows from operating activities are principally payments for purchase of motor vehicles for sale.

During FY2016, our net cash flows used in operating activities were approximately S$0.8 million, primarily due to a net decrease arising from changes in working capital of approximately S$8.5 million and partially offset by (i) an operating profit of approximately S$6.8 million, and (ii) income tax of approximately S$0.6 million paid.

The net decrease in working capital changes primarily reflected (i) an increase in inventories of approximately S$7.5 million mainly due to the need to meet the anticipated higher demands for our motor vehicles in the first quarter of 2017; and (ii) an increase in finance lease receivables of approximately S$4.3 million mainly due to the increase in hire purchase financing arrangements with our customers, which was partially offset by a decrease in trade and other receivables of approximately S$3.4 million mainly due to a decrease in prepayment to our suppliers.

During FY2017, our net cash flows generated from operating activities were approximately S$14.5 million, primarily due to (i) an operating profit of approximately S$11.2 million; and (ii) a net increase arising from changes in working capital of approximately S$3.3 million, which partially offset by income tax of approximately S$0.8 million paid.

The net increase in working capital changes primarily reflected (i) a decrease in inventories of approximately S$5.8 million due to higher utilisation during the year; (ii) a decrease in finance lease receivables of approximately S$2.4 million mainly due to an increase in early settlement and repayment; and (iii) an increase in trade and other payables of approximately S$4.1 million mainly due to an increase in payables for Listing expenses and an increase in advances from customers; which partially offset by (i) an increase in trade and other receivables of approximately S$8.8 million mainly due to an increase in sales in the fourth quarter of 2017; and (ii) an increase in prepayment to our suppliers.

During FY2018, our net cash flows generated from operating activities were approximately S$2.8 million, primarily due to (i) an operating profit of approximately S$10.8 million; and (ii) a net decrease arising from changes in working capital of approximately S$7.1 million, which partially offset by income tax of approximately S$2.2 million paid.

The net decrease in working capital changes primarily reflected (i) an increase in inventories of approximately S$9.7 million; and (ii) an increase in trade and other receivables of approximately S$3.8 million mainly due to an increase in prepayment to our suppliers; which partially offset by an increase in trade and other payables of approximately S$6.3 million mainly due to the increase in receipt in advance from customers as well as the increase in trade payables.

Net cash used in investing activities

During FY2016, we purchased certain property, plant and equipment, mainly motor vehicles for our leasing of motor vehicles business, for a sum of approximately S$1.9 million, and partially offset by proceeds from the disposal of plant and equipment of approximately S$0.6 million.

During FY2017, we purchased certain property, plant and equipment, mainly motor vehicles for our leasing of motor vehicles business, for a sum of approximately S$5.9 million, and partially offset by proceeds from the disposal of plant and equipment of approximately S$1.2 million.

During FY2018, we purchased certain property, plant and equipment, mainly motor vehicles for our leasing of motor vehicles business, for a sum of approximately S$5.2 million, and partially offset by proceeds from disposal of plant and equipment of approximately S$0.5 million.

Net cash generated from/(used in) financing activities

During FY2016, we recorded a net cash inflow of approximately S$3.9 million from the financing activities primarily due to the net proceeds from borrowings of approximately S$7.5 million, which was partially offset by (i) interest paid of approximately S$1.4 million; and (ii) repayment to a shareholder of approximately S$2.2 million.

During FY2017, we recorded a net cash outflow of approximately S$8.7 million from the financing activities primarily due to the (i) net repayment of borrowings of approximately S$6.1 million; (ii) interest paid of approximately S$1.5 million; and (iii) repayment to a shareholder of approximately S$3.1 million, as offset by issuance of new shares of approximately S$2.3 million.

During FY2018, we recorded a net cash inflow of approximately S$5.8 million from the financing activities primarily due to the net proceeds from borrowings of approximately S$10.7 million, which was partially offset by (i) repayment to a shareholder of approximately S$2.9 million; and (ii) interest paid of approximately S$1.7 million.

NET CURRENT (LIABILITIES)/ASSETS

The following table sets forth the breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	S$'000	*S$'000*	*S$'000*
Current Assets			
Inventories	22,974	17,428	27,517
Trade and other receivables	10,038	19,022	23,143
Finance lease receivables	6,056	5,582	6.058
Amount due from a related party	15	21	22
Cash and cash equivalents	2,923	4,844	7,855
	42,006	46,897	64,595
Current Liabilities			
Trade payables	1,941	2,486	5,503
Accruals and other payables	1,412	4,160	3,505
Receipt in advance from customers	5,446	6,297	10,251
Amount due to a shareholder	3,175	3,026	131
Borrowings	45,126	21,610	31,635
Derivative financial instruments	367	—	—
Income tax liabilities	1,530	2,647	2,003
	58,997	40,226	53,028
Net current (liabilities)/assets	(16,991)	6,671	11,567

Our current assets primarily comprise inventories (motor vehicles for sale), trade and other receivables, finance lease receivables, amount due from a related party and cash and cash equivalents. Our current liabilities mainly include trade payables, accruals and other payables, receipt in advance from customers, amount due to a shareholder, current portion of borrowings and obligations under finance leases, derivative financial instruments and current income tax liabilities.

We recorded net current liabilities of approximately S$17.0 million as at 31 December 2016, net current assets of approximately S$6.7 million and S$11.6 million as at 31 December 2017 and 31 December 2018, respectively.

As at 31 December 2017, we turned from a net current liabilities position into net current assets position of approximately S$6.7 million. It was mainly attributable to (i) an increase in trade and other receivables of approximately S$9.0 million; and (ii) a decrease in the current portion of borrowings amounted to approximately S$23.5 million which was mainly attributable to the classification of block discounting financing into non-current liabilities as set out in note 20 to the Accountant's Report as set out in Appendix I to this prospectus, which was mainly offset by a decrease in inventories of approximately S$5.5 million.

As at 31 December 2018, our net current assets further increased by approximately S$4.9 million from approximately S$6.7 million as at 31 December 2017 to approximately S$11.6 million as at 31 December 2018. It was mainly attribute to (i) an increase in inventories of approximately S$10.1 million; (ii) an increase in trade and other receivables of approximately S$4.1 million; (iii) an increase in cash and cash equivalents of approximately S$3.1 million; and (iv) a decrease in amount due to a shareholder of approximately S$2.9 million; as offset by (i) an increase in borrowings of approximately S$10.0 million; and (ii) an increase in receipt in advance from customers of approximately S$4.0 million.

Reasons for net current liabilities position as at 31 December 2016

We recorded net current liabilities in the amount of approximately S$17.0 million as at 31 December 2016. Our net current liabilities position as at 31 December 2016 was mainly attributable to (i) approximately S$27.8 million of our block discounting financing and approximately S$2.9 million of our finance lease liabilities as of 31 December 2016, with maturity of more than 12 months being classified as current liabilities because they were payable upon lenders' demand. However, the corresponding finance lease receivables are accounted for based on scheduled repayment dates of our customers. Accordingly, approximately S$23.6 million of finance lease receivables were recorded as non-current assets as of 31 December 2016; and (ii) expansion of the fleet for our motor vehicle rental business, in which the vehicles were classified as non-current assets and were purchased with borrowings which were partially classified as current liabilities.

For illustrative purpose only, if our block discounting financing and finance lease liabilities with maturity of more than 12 months but presented as current liabilities had been reclassified as non-current liabilities, we would have recorded net current assets position of approximately S$13.6 million as at 31 December 2016.

The following sets out the adjusted net current assets of our Group as at 31 December 2016 for illustrative purpose only:

	As at 31 December
	2016
	S$'000
Total current assets	42,006
Total current liabilities	58,997
Reclassification of:	
Block discounting financing	(27,750)
Finance lease liabilities	(2,886)
Adjusted total current liabilities	28,361
Adjusted net current assets	13,645

In order to manage our liquidity risks, we calculate and review our Group's loan financial drawdowns and covenants regularly and are required to report any potential default in meeting our loan obligations.

We received confirmation letters from our major bank confirming that it has waived its rights to demand for immediate repayment of the block discounting financing granted to us for a period of 12 months from 31 December 2017 and 31 December 2018. Therefore, our Group classified certain portion of the block discounting financing as at 31 December 2017 and 2018 as non-current liabilities.

ANALYSIS OF SELECTED COMPONENTS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

The following table sets forth the breakdown of our inventories, which mainly represent new and pre-owned motor vehicles, as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	S$'000	*S$'000*	*S$'000*
Motor vehicles, gross	23,557	17,805	27,506
Less: provision for impairment	(761)	(465)	(104)
Motor vehicle, net	22,796	17,340	27,402
Spare parts and accessories	178	88	115
	22,974	17,428	27,517

The total net carrying amount of our inventories decreased by approximately S$5.6 million or 24.3% from S$23.0 million as at 31 December 2016 to approximately S$17.4 million as at 31 December 2017. The decrease was due to the higher utilisation during the period. In particular, our Group encountered a sales boom in the fourth quarter of 2017 before the implementation of VES which took effect on 1 January 2018 as further explained in the paragraph headed "Year to Year Comparison of Results of Operations" in this section above.

The total net carrying amount of our inventories increased by approximately S$10.1 million or 58.0% from S$17.4 million as at 31 December 2017 to approximately S$27.5 million as at 31 December 2018. The increase was mainly due to we intend to meet the anticipated demands for our motor vehicles for beginning of FY2019 before the Chinese New Year.

As at 31 December 2016, 2017 and 2018, our Group pledged approximately S$23.0 million, S$17.1 million and S$27.5 million of motor vehicles to secure the floor inventory advances extended to our Group, respectively.

The table below sets out the inventory turnover days during the Track Record Period:

	FY2016	FY2017	FY2018
Inventory turnover days *(Note)*	54	40	50

Note: Inventory turnover days is equal to the average of beginning and ending inventory balances of the year divided by the cost of sales for such year and then multiplied by the number of days in the relevant year.

The inventory turnover days decreased by 14 days from 54 days for FY2016 to 40 days for FY2017 mainly because of increase in sales of motor vehicles in FY2017 as well as the sales boom in fourth quarter of 2017 as explained above which lowered the inventory level as at the year end.

The inventory turnover days increased by 10 days from 40 days for FY2017 to 50 days for FY2018 and was similar to that of FY2016 considering that as at 31 December 2017 we had a comparatively lower level of inventory in light of the sales boom experienced in fourth quarter of FY2017 as mentioned above.

Inventory provision policies

We make provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving and obsolete inventories requires the use of judgement relating to the anticipated demand for inventories and estimates with regards to the estimated selling price less associated costs of disposal.

The following table sets forth the ageing analysis of our inventory as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	S$'000	*S$'000*	*S$'000*
Within 90 days	15,479	12,521	19,998
91–180 days	3,964	2,777	4,081
181–365 days	2,966	1,163	2,548
Over 365 days	565	967	890
	22,974	17,428	27,517

As of the Latest Practicable Date, we had subsequently sold approximately S$9.5 million or 34.5% of our inventories as at 31 December 2018.

Trade and other receivables

	As at 31 December		
	2016	2017	2018
	S$'000	*S$'000*	*S$'000*
Non-current			
Prepayments for renovation	—	861	—
Current			
Trade receivables			
— third parties	2,907	6,790	5,233
— related party — AFM	15	—	—
Prepayments	6,467	11,357	17,343
Other receivables	648	875	567
	10,037	19,022	23,143

Trade receivables

Our Group's trade receivables mainly include outstanding balances from our customers arising from sales of motor vehicles, leasing of motor vehicles and sales of spare part and accessories. For the sales of motor vehicles, all customers are generally required to make payment at the point of transaction and no credit period have been granted to these customers. Our Group may, however, at times extend the repayment period to certain corporate customers and motor vehicles dealers after considering (i) the size of order; (ii) our relationship with the customer; and (iii) our assessment of the reputation and creditworthiness of the customer and may impose interest on overdue balances.

The trade receivable due from a related party was related to the sales of motor vehicle parts and accessories to AFM.

Our trade receivables increased by approximately S$3.9 million or 134.5% from approximately S$2.9 million as at 31 December 2016 to S$6.8 million as at 31 December 2017. The increment was mainly due to an increase in sales in the fourth quarter for FY2017 before the implementation of VES which took effect on 1 January 2018 as further explained in the paragraph headed "Year to Year Comparison of Results of Operations" in this section above. As the VES has stricter emission standards, some popular vehicle models may see a significant change in their rebates or surcharges, which boomed the sales of these models in the fourth quarter of 2017, before the implementation of the VES which was introduced to replace the CEVS and has been effective on 1 January 2018.

Our trade receivables decreased by approximately S$1.6 million or 23.5% from approximately S$6.8 million as at 31 December 2017 to S$5.2 million as at 31 December 2018. The decrement was mainly due to less sales towards the end of FY2018 as compared with the fourth quarter of 2017 when sales were boosted in light of the implementation of the VES as mentioned above.

As at 31 December 2016, 2017 and 2018, except for those corporate customers with financial difficulties, all the remaining trade receivables balances were past due but not impaired. These remaining trade receivable balances relate to individual and corporate customers and motor vehicle dealers for whom there is no recent history of default. Our Group did not hold any collateral over these balances. The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December		
	2016	**2017**	**2018**
	S$'000	*S$'000*	*S$'000*
Up to 3 months	1,252	6,668	5,040
3 to 4 months	319	22	11
4 months to 1 year	963	84	123
More than 1 year	388	16	59
	2,922	6,790	5,233

The following table sets out our trade receivables turnover days during the Track Record Period:

	FY2016	**FY2017**	**FY2018**
Trade receivables turnover days *(Note)*	9	9	12

Note: Trade receivables turnover days is equal to the average of beginning and ending trade receivables balances of the year divided by the revenue for such year and then multiplied by the number of days in the relevant year.

The trade receivables turnover days were approximately nine days, nine days and 12 days for FY2016, FY2017 and FY2018, respectively, which remained relatively stable.

As of the Latest Practicable Date, approximately S$2.3 million or 44.2% of our trade receivables as at 31 December 2018 had been subsequently settled.

Prepayment

Our prepayment related to advances to various suppliers for purchase of inventory, prepayment for purchase of COEs, prepayment for listing expenses and prepayment for renovation.

The prepayment balance increased by approximately S$5.7 million or 87.7% from approximately S$6.5 million as at 31 December 2016 to approximately S$12.2 million as at 31 December 2017. The increase was mainly due to (i) increase in COE prepayment of approximately S$3.1 million; (ii) increase in prepayment to certain suppliers of approximately S$1.8 million; and (iii) increase in prepayment for renovation work and furniture of approximately S$0.9 million for our Leng Kee Autopoint showroom.

The prepayment balance increased by approximately S$5.1 million or 41.8% from approximately S$12.2 million as at 31 December 2017 to approximately S$17.3 million as at 31 December 2018. The increase was mainly due to increase in prepayment to certain suppliers of approximately S$7.0 million and increase in prepaid listing expenses of approximately S$0.6 million; and net-off with the decrease in COE prepayment of approximately S$1.9 million.

Other receivables

Our other receivables mainly represents claims pending from sales of cars repossessed from our customers, and rent and utilities deposits.

The other receivables balance increased by approximately S$0.3 million or 50.0% from S$0.6 million as at 31 December 2016 to approximately S$0.9 million as at 31 December 2017. The increase was mainly due to increase in utility deposits.

The other receivables balance decreased by approximately S$0.3 million or 33.3% from approximately S$0.9 million as at 31 December 2017 to approximately S$0.6 million as at 31 December 2018. The decrease was mainly due to the settlement of claims received from sales of cars repossessed from our customers.

Finance lease receivables

	As at 31 December		
	2016	**2017**	**2018**
	S$'000	*S$'000*	*S$'000*
Finance lease receivables	29,668	27,226	27,142
Less: non-current portion	(23,612)	(21,644)	(21,084)
Current portion	6,056	5,582	6,058

The following table sets forth a breakdown of our finance lease receivables as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	S$'000	*S$'000*	*S$'000*
Minimum lease payment			
No later than 1 year	7,687	7,230	7,615
Later than one year and no later than five years	22,841	21,504	20,997
Later than five years	4,003	3,182	2,954
	34,531	31,916	31,566
Deferred interest income on finance lease arrangements	(4,863)	(4,690)	(4,424)
Present value of finance lease arrangements	29,668	27,226	27,142
Present value of finance lease arrangements is as follows:			
No later than 1 year	6,056	5,582	6,058
Later than one year and no later than five years	19,787	18,601	18,252
Later than five years	3,825	3,043	2,832
	29,668	27,226	27,142

Finance lease receivables represent receivables under various finance leases arrangements, including hire purchase agreements and finance lease agreements, entered into between our Group and our customers in connection with our motor vehicle sale. The weighted-average effective interest rate of the finance lease receivables as at 31 December 2016, 2017 and 2018 was 6.03%, 6.08% and 6.37% per annum, respectively. The finance lease receivables are secured by the respective motor vehicles pledged to the arrangements. We are not permitted to sell or repledge the collateral in the absence of default by the hirer.

Trade payables

Our trade payables represent the unsettled balances due to our suppliers for the purchase of motor vehicles. Our suppliers normally do not grant us any official credit period but there are situations where our repayment period with these suppliers may be extended upon mutual agreement. We normally settle the payables within 30 days from invoice date.

The following table sets forth the ageing analysis of our trade payables, based on invoice date, as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	S$'000	*S$'000*	*S$'000*
1 to 30 days	1,326	2,131	4,836
31 to 120 days	1	312	482
121 to 365 days	608	29	17
More than 365 days	6	14	168
	1,941	2,486	5,503

Our trade payables increased by approximately S$0.6 million or 31.6% from S$1.9 million as at 31 December 2016 to approximately S$2.5 million as at 31 December 2017 mainly due to increase in purchase of motor vehicles in December 2017 as compared with December 2016.

Our trade payables increased by approximately S$3.0 million or 120.0% from S$2.5 million as at 31 December 2017 to approximately S$5.5 million as at 31 December 2018 and such balance was mainly related to the unsettled payable balances to a supplier in the amount of approximately S$3.5 million in relation to purchase of motor vehicles during FY2018.

The following table sets out our trade payables turnover days during the Track Record Period:

	FY2016	**FY2017**	**FY2018**
Trade payables turnover days *(Note)*	6	4	9

Note: Trade payables turnover days is equal to the average of beginning and ending trade payables balances of the year divided by the cost of sales for such year and then multiplied by the number of days in the relevant year.

Our trade payable turnover days were approximately six days, four days and nine days for FY2016, FY2017 and FY2018, respectively, which remained stable.

As of the Latest Practicable Date, approximately S$4.5 million or 81.8% of our trade payables as at 31 December 2018 had been subsequently settled.

Accruals and other payables and receipt in advance

The following table sets out a breakdown of our accruals and other payables and receipt in advance as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	S$'000	*S$'000*	*S$'000*
Receipt in advance from customers	5,446	6,297	10,251
Accrued operating expenses	929	3,131	3,009
Other payables	315	898	226
Provision for warranty	168	131	270
	6,858	10,457	13,756

The above balances mainly represent the payments received in advance from our customers for purchase of motor vehicles, accrued operating expenses such as salaries and office expenses.

Our accruals and other payables and receipt in advance increased by approximately S$3.6 million or 52.2%, from approximately S$6.9 million as at 31 December 2016 to approximately S$10.5 million as at 31 December 2017. Such increase was mainly due to (i) the increase in receipt in advance from customers of approximately S$0.8 million mainly attributable to the increase in sales of some models in the fourth quarter of 2017, especially in December 2017, before the implementation of the VES; and (ii) the increase in accrued operating expenses of approximately S$2.2 million mainly due to the increase in accrued employee benefit in December 2017 as compared with December 2016.

Our accruals and other payables and receipt in advance increased by approximately S$3.3 million or 31.4%, from approximately S$10.5 million as at 31 December 2017 to approximately S$13.8 million as at 31 December 2018. Such increase was mainly due to the increase in receipt in advance from customers of approximately S$4.0 million for motor vehicles that are yet to deliver to the customer in early 2019 and was partially offset by the decrease in other payables of approximately S$0.7 million.

Amount due from/to a shareholder and a related party

The table below sets forth our amounts due from/to a shareholder and a related party as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	S$'000	*S$'000*	*S$'000*
Amount due from a related party — Vincar Assets *(Note 1)*	15	21	22
Amount due to a shareholder *(Note 2)*	3,175	3,026	131

Notes:

1. The amount is mainly arising from payments made on behalf of Vincar Assets but not yet recovered as at each financial year end date.

2. The amount represents the current account with Mr. Vincent Tan. The amount is mainly arising from the drawdown of fund from our Group by Mr. Vincent Tan, offsetting by the dividend declared to Mr. Vincent Tan but not yet paid.

Amount due from Vincar Assets and due to Mr. Vincent Tan were non-trade related, unsecured, interest-free and repayable on demand.

All balances due from Vincar Assets and due to Mr. Vincent Tan as at 31 December 2018 will be fully settled upon Listing.

INDEBTEDNESS

The following table sets out a breakdown of our indebtedness as at 31 December 2016, 31 December 2017 and 31 December 2018:

	As at 31 December		
	2016	**2017**	**2018**
	S$'000	*S$'000*	*S$'000*
Non-current liabilities			
Borrowings	—	—	—
Block discounting financing	771	19,885	19,702
	771	19,885	19,702
Current liabilities			
Borrowings	45,126	21,610	31,635
Amount due to a shareholder	3,175	3,026	131
	48,301	24,636	31,766

Borrowings

	As at 31 December		
	2016	**2017**	**2018**
	S$'000	*S$'000*	*S$'000*
Non-current			
Block discounting financing	771	19,885	19,702
	771	19,885	19,702
Current			
Bank overdraft	—	1,681	776
Finance lease obligations	2,886	5,510	8,194
Block discounting financing	27,750	5,928	5,886
Floor inventory advances	2,549	291	4,307
Trust receipts	10,335	7,200	12,472
Short term bank loans	1,606	1,000	—
	45,126	21,610	31,635

The table below sets out the average effective annual interest rates of borrowings as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	%	%	%
Bank borrowings — Mortgage	2.4	—	—
Short term bank loans	3.7	3.7	—
Floor inventory advances	4.5	4.5	4.5
Trust receipts	2.8	3.0	3.8
Block discounting financing	2.8	3.6	3.6
Finance lease liabilities	3.4	3.6	3.8
Bank overdrafts	—	5.0	5.0

Our borrowings decreased by approximately S$4.4 million or 9.6% from approximately S$45.9 million as at 31 December 2016 to approximately S$41.5 million as at 31 December 2017. The decrease was mainly due to the decrease in block discounting financing and floor inventory advances by approximately S$2.7 million and S$2.3 million, respectively, due to repayment of borrowings during the year.

Our borrowings increased by approximately S$9.8 million or 23.6% from approximately S$41.5 million as at 31 December 2017 to approximately S$51.3 million as at 31 December 2018. The increase was mainly due to the increase in trust receipts and floor inventory advances by approximately S$5.3 million and S$4.0 million, respectively.

Our bank borrowings were secured by a mortgage over our Group's leasehold properties and personal guarantee by Mr. Vincent Tan.

Short term bank loans were secured by mortgage over our Group's leasehold properties and personal guarantee by Mr. Vincent Tan.

Floor inventory advances are secured by certain inventories and personal guarantee by Mr. Vincent Tan.

Trust receipts financing and bank overdrafts are secured by personal guarantee by Mr. Vincent Tan.

Block discounting are secured by finance lease receivables and personal guarantee by Mr. Vincent Tan. While finance lease liabilities are secured by motor vehicles and personal guarantee by Mr. Vincent Tan, while certain finance lease liabilities are also secured by corporate guarantee of Vincar.

Upon Listing, all the aforesaid personal guarantee by Mr. Vincent Tan will be fully released and/or replaced by corporate guarantees of the Company upon the Listing.

Although, our Group is contractually required to make periodic instalments over several years, our Group presents certain block discounting and finance lease liabilities as current given that these arrangements contains repayable on demand clauses as at 31 December 2016. We received confirmation letters from our major bank (the "**Bank**") confirming that it has waived its rights to demand for immediate repayment of the block discounting financing granted to our Group as at 31 December 2017 and 31 December 2018 (the "**Confirmation Letters**"). The Bank has confirmed to us that the circumstances which led the Bank to grant the Confirmation Letters to waive its rights to demand for immediate repayment of the block discounting financing for a period of 12 months from as at 31 December 2017 and 31 December 2018 included: (i) Vincar did not have any default history of repayment of the block discounting financing during the period that Vincar has business relationship with the Bank; (ii) the result of the regular credit assessments carried out by the Bank; and (iii) the good long-term business relationship between Vincar and the Bank over the years. The Bank also confirmed to us that the waivers under the Confirmation Letters will not be withdrawn by the Bank as long as Vincar does not materially breach any terms and conditions as stated in the relevant facility letters and does not have any material default of repayment. Therefore, our Group classified certain portion of the block discounting financing as at 31 December 2017 and 2018 as non-current liabilities.

The following table sets out a brief overview of the material covenants which our Group is required by its principal bankers to comply with during the Track Record Period and up to the Latest Practicable Date:

Borrower	Principal banker	Material covenants required by the principal bankers
Vincar	United Overseas Bank Limited	(a) Vincar shall at all times use and occupy the mortgaged The Alexcier for its own business use and/or investment and for no other purpose except with the prior written consent of the bank. Where The Alexcier is for owner-occupation, for so long as the banking facilities are still outstanding with the bank, Vincar shall seek prior written consent from the bank if it intends to rent out, sublet, license or part with possession of The Alexcier property, failing which the Bank shall have the right to recall, cancel and/or vary the terms of the banking facilities without notice.

Borrower	Principal banker	Material covenants required by the principal bankers
		(b) Vincar shall not sell, transfer, lease, let, license or part with possession of the mortgaged property or any part thereof without the prior written consent of the bank which may be given on such terms as the bank shall think fit.
		(c) Vincar shall not, without the bank's prior written consent, create or permit to arise or subsist any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment or any other encumbrance whatsoever over any of its properties and assets or any part thereof both present and future, whatsoever and wheresoever situate or factor any of its accounts receivables, except in favour of the bank.
		(d) So long as any sum remains or may be outstanding under the banking facilities, there shall be no direct or indirect change of control in the shareholding or management of Vincar, as determined by the bank in its absolute discretion. In the event of a change, prior written consent from the bank shall be required and the bank shall be entitled to impose such terms and conditions as it deems fit, including the levying of a change equivalent to a prepayment fee or such other amount as may be advised by the bank.
		(e) Vincar shall not make any substantial alteration to the nature of its business (trading of new and used passenger cars) or amend or alter any of the provisions of its Memorandum and Articles of Association or any corporate documents relating to its borrowing powers and principal activities.

Borrower	Principal banker	Material covenants required by the principal bankers
Vincar	Malayan Banking Berhad	(a) Vincar shall not create any charge, mortgage, pledge or lien its properties/assets or factor any of its receivables without the bank's prior written consent except for goods already financed under hire purchase/leasing agreements in the ordinary course of business. If collateral or support is extended, the bank shall be placed on a *pari passu* basis. (b) Vincar is to maintain a minimum tangible net worth of S$10,000,000 during the term of the facilities extended to Vincar. (c) The banking facilities shall not exceed 80% of the Estimated Market Value ("**EMV**") of certain units at The Alexcier at all times ("**Security Margin**"). In the event of a breach in Security Margin, the Borrower shall undertake to reduce the said outstanding debt and/or provide additional collateral acceptable to the bank within 14 days from the breach so as to ensure that the banking facilities limit and/or outstanding secured against the said units shall at all times be less than or equal to 80% of the EMV of the said units and any additional collateral provided. (d) In relation to trust receipt financing, the suppliers of Vincar shall be restricted to non-related parties and such other business entities that are acceptable to Malayan Banking Berhad at its sole discretion.

Borrower	Principal banker	Material covenants required by the principal bankers
VLR	Malayan Banking Berhad	(a) VLR shall not create any charge, mortgage, pledge or lien its properties/assets or factor any of its receivables without the bank's prior written consent except for equipment/machinery under hire purchase or leasing agreements. If collateral or support is extended, the bank shall be placed on a *pari passu* basis. (b) The existing four legal mortgages in relation to certain units at The Alexcier under Vincar are to be with the bank throughout the currency of facilities.

Accordingly, our Group's strategy on capital management is to maintain our equity within the stipulated requirements. Our Directors confirm that our Group meets all the covenants required by our principal banker as at 31 December 2016, 2017 and 2018. We may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings. Our Directors believe that the level of cash and cash equivalents and reserves maintained by our Group as well as the available financing are adequate to support our Group's operations and mitigate the effects of fluctuations in cash flows.

During the Track Record Period, our Directors confirm that there had not been any delay or default in repayment of borrowings or material non-compliance with the covenants or conditions set out in our borrowing agreements.

Obligations under finance lease

The table below sets forth the present value of minimum lease payments as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	S$'000	*S$'000*	*S$'000*
Minimum lease payment			
No later than 1 year	997	1,716	2,565
Later than one year and no later than two years	671	1,566	2,303
Later than two year and no later than five years	1,308	2,560	3,978
Later than five years	108	110	32
	3,084	5,952	8,878
Deferred interest cost on obligations under finance lease	(198)	(442)	(684)
Present value of obligations under finance lease	2,886	5,510	8,194
The present value of finance lease obligations is as follows:			
No later than 1 year	914	1,532	2,280
Later than one year and no later than two years	601	1,440	2,108
Later than two year and no later than five years	1,264	2,432	3,774
Later than five years	107	106	32
	2,886	5,510	8,194

Our obligations under finance leases increased by approximately S$2.6 million or 89.7% from approximately S$2.9 million as at 31 December 2016 to approximately S$5.5 million as at 31 December 2017, which was mainly due to the increase in hire purchase arrangements entered by our Group with financial institution for acquisition of motor vehicles for leasing of motor vehicle business.

Our obligations under finance leases increased by approximately S$2.7 million or 49.1% from approximately S$5.5 million as at 31 December 2017 to approximately S$8.2 million as at 31 December 2018, which was mainly due to the increase in hire purchase arrangements entered by our Group with financial institution for acquisition of motor vehicles for leasing of motor vehicle business.

Utilisation of banking facilities

The following table summarises the details of our committed and uncommitted block discounting facilities and other banking facilities, terms and conditions of which were stipulated by the banks, as at 31 December 2018:

	Facility guaranteed	Utilisation	Unutilised
	S$'000	*S$'000*	*S$'000*
Overdraft facilities	2,900	—	2,900
Floor stocking facilities	5,000	4,307	693
Letter of credit	1,000	—	1,000
Trust receipt	14,000	12,472	1,528
Block discounting facilities			
— Committed	7,000	611	6,389
— Uncommitted	37,000	27,217	9,783
Blanket hire purchase facilities	9,335	8,880	455
Other banking facilities*	3,430	776	2,654
	79,665	54,263	25,402

**Notes:* Other banking facilities represented OCOE facility, performance guarantee, credit card, money market loan granted and revolving credit facilities.

Committed banking facilities are facilities that the bank is committed to for an agreed duration. Uncommitted banking facilities are facilities that the bank has the discretion to withdraw at any time.

Guarantee to a related party

As at 31 December 2016, 2017 and 2018, our Group provided corporate guarantee amounting to approximately S$15.5 million, S$Nil and S$Nil for banking facilities granted to Wealth Assets. As at the Latest Practicable Date, such corporate guarantee to Wealth Assets had been released.

CONTINGENT LIABILITIES

As of the end of each of the Track Record Period and the Latest Practicable Date, our Group did not have any significant contingent liabilities.

DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December		
	2016	2017	2018
	S$'000	*S$'000*	*S$'000*
Foreign currency forward contracts	367	—	—

Derivative financial instruments comprise currency forward contracts used to manage the exposure from purchases of inventories in foreign currencies. The contracted notional principal amounts of the derivative outstanding as at 31 December 2016 were approximately JPY527,880,000 and GBP1,000,000. Our Group did not hold any derivative financial instruments as at 31 December 2017 and 2018. As at the Latest Practicable Date, our Group had no intention to hold any derivative financial instruments in the future.

CAPITAL EXPENDITURES

Our capital expenditures primarily comprise the purchase of office equipment, motor vehicles, renovation, computer and software and furniture and fittings. Our capital expenditures were funded, and are expected to continue to be funded, by internal resources and external borrowings. The table below sets forth our capital expenditures during the Track Record Period:

	FY2016	FY2017	FY2018
	S$'000	*S$'000*	*S$'000*
Property, plant and equipment	1,940	5,862	6,047

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to our Group, including internally generated funds from operating activities, banking facilities and the estimated net proceeds from the Share Offer, and in the absence of unforeseen circumstance, our Directors are of the opinion that our Group has sufficient working capital and financial resources to meet its working capital requirements for at least 12 months from the date of this prospectus.

COMMITMENTS

Capital commitments

As at 31 December 2016, 2017 and 2018, our Group did not have material capital commitments.

Operating lease commitments — as lessor

The table below sets out the future minimum rentals receivable under non-cancellable operating leases of motor vehicles of our Group as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	S$'000	*S$'000*	*S$'000*
Within one year	838	1,312	1,769
After one year but within five years	1,280	1,220	1,696
After five years	21	2	13
	2,139	2,534	3,478

Operating lease commitments — as lessee

The table below sets out the future minimum rentals payable under non-cancellable operating leases of office premises and certain premises for storage of motor vehicles of our Group as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	S$'000	*S$'000*	*S$'000*
Within one year	63	206	1,170
After one year but within five years	23	299	1,067
	86	505	2,237

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Chapter 5 of the Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

OFF-BALANCE-SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance-sheet commitments or arrangements.

LISTING EXPENSES

The total estimated expenses in relation to the Listing (including underwriting commission) are approximately HK$32.3 million, based on the Offer Price of HK$0.45 per Share, being the mid-point of the indicative Offer Price range, of which approximately HK$31.8 million and HK$0.5 million are to be borne by our Group and the Selling Shareholder, respectively. Out of the estimated listing expenses of approximately HK$31.8 million to be borne by us, approximately HK$11.3 million and approximately HK$5.9 million has been charged to our profit or loss account for FY2017 and FY2018, respectively; and approximately HK$4.5 million is expected to be further charged to the profit or loss account for FY2019 and approximately HK$10.1 million is expected to be charged to equity account of our Group for FY2019.

With an Offer Price of HK$0.45, being the mid-point of the indicative Offer Price range, the underwriting commission and fees payable by the Selling Shareholder for the Sale Shares is estimated to be approximately HK$0.5 million. Except for the aforementioned underwriting commissions and fees, the Selling Shareholder is not responsible for other expenses relating to the Listing, which should instead be borne by and accounted for by us. All the contracts for the professional services in relation to the Listing have been entered into between our Group and the respective service providers and as such, all the relevant services have been rendered to our Group only. On the other hand, the Selling Shareholder is not a party to the service contracts and therefore is not liable for any of the associated costs.

SUMMARY OF KEY FINANCIAL RATIOS

	FY2016	FY2017	FY2018
Profitability			
Gross profit margin	10.5%	10.8%	11.9%
Net profit margin	3.2%	3.9%	4.0%
Return on equity	35.6%	39.4%	26.8%
Return on total assets	6.4%	9.9%	7.4%
Liquidity			
Current ratio	0.7	1.2	1.2
Quick ratio	0.3	0.7	0.7
Capital adequacy			
Gearing ratio	377.1%	219.3%	185.6%
Net debt to equity	354.7%	195.4%	157.3%
Interest coverage	4.9	7.3	6.4

Profitability

Gross profit margin and net profit margin

Please refer to the paragraph headed "Year to Year Comparison of Results of Operations" of this section above for a discussion of the factors affecting our gross profit margin and net profit margin for FY2017 and FY2018.

Return on equity

Return on equity is calculated by dividing the profit for the year by the total equity at the respective year end.

Our return on equity increased from 35.6% for FY2016 to approximately 39.4% for FY2017. The increment was mainly because the net profit recorded a growth of approximately 72.5% as a result of the increase in revenue derived from sales of motor vehicles, while total equity recorded an increase by approximately 56.0% which was mainly due to the increase in retained earnings.

Return on equity decreased from 39.4% for FY2017 to 26.8% for FY2018. The decrement was mainly because the net profit for FY2018 had decreased by approximately 7.5% as a result of the reasons set out in the paragraph headed "Year to Year Comparison of Results of Operations" of this section above, while total equity recorded an increase by approximately 36.5% which was mainly due to the increase in retained earnings.

Return on total assets

Return on total assets is calculated by dividing the profit for the year by the total assets at the respective year end.

Our return on total assets increased from approximately 6.4% for FY2016 to approximately 9.9% for FY2017. The increment was mainly because the net profit recorded a growth of approximately 72.5%, while total assets recorded an increase by approximately 10.5% mainly due to the increase in trade and other receivables by approximately S$9.0 million.

Our return on total assets decreased from approximately 9.9% to approximately 7.4% for FY2018. The decrease was mainly because the net profit for FY2018 had decreased by approximately 7.5% as a result of the reasons set out in the paragraph headed "Year to Year Comparison of Results of Operations" of this section above, while total assets recorded an increase by approximately 25.0% mainly as a result of (i) the increase in inventory by approximately S$10.1 million; (ii) the increase in trade and other receivables by approximately S$4.1 million; and (iii) the increase in property, plant and equipment of approximately S$3.9 million.

Liquidity

Current ratio

Current ratio represents the current assets over current liabilities as at the end of the respective year.

The current ratio as at 31 December 2016 of 0.7 times was mainly due to our Group's net current liabilities position as at 31 December 2016 as mentioned in the paragraph headed "Net Current (Liabilities)/Assets" of this section above. For illustrative purpose only, should our block discounting financing and finance lease liabilities with maturity of more than 12 months but presented as current liabilities had been reclassified as non-current liabilities, the adjusted current ratio would have been 1.5 times as at 31 December 2016.

The current ratio as at 31 December 2017 and 2018 was approximately 1.2 times and 1.2 times, respectively. As at 31 December 2017 and 2018, our Group no longer had net current liabilities position as we received confirmation letters from our major bank confirming that it has waived its rights to demand for immediate repayment of the block discounting financing granted to us as at 31 December 2017 and 2018. Therefore, our Group classified certain portion of the block discounting financing as at 31 December 2017 and 2018 as non-current liabilities. Current ratio as at 31 December 2017 of 1.2 times has decreased slightly from the adjusted current ratio as at 31 December 2016 of 1.5 times above, mainly attributable to the (i) decrease in inventories of approximately S$5.5 million as a result of the high utilisation of inventory during FY2017 due to the high volume sales at year end, as well as increase in borrowings which were repayable within one year amounted to approximately S$23.5 million. Current ratio as at 31 December 2018 remained stable as compared with the current ratio as at 31 December 2017.

Quick ratio

Quick ratio is calculated by current assets (excluding inventory) over current liabilities as at the end of the respective year.

Our quick ratio as at 31 December 2016, 2017 and 2018 of approximately 0.3 times, 0.7 times and 0.7 times, respectively. For the same reason as in current ratio above, should our block discounting financing and finance lease liabilities with maturity of more than 12 months but presented as current liabilities had been reclassified as non-current liabilities, the adjusted quick ratio would have been 0.7 times as at 31 December 2016.

There was no material fluctuation in the quick ratio as at 31 December 2017 as compared with the adjusted quick ratio as at 31 December 2016.

There was no material fluctuation in the quick ratio as at 31 December 2018 as compared with the adjusted quick ratio as at 31 December 2017.

Capital adequacy

Gearing ratio

The gearing ratio is determined by dividing total debt by total equity as at the end of the respective year. Total debt includes bank overdraft, amount due to a shareholder, both short-term and long-term borrowings and obligations under finance lease.

Our gearing ratio as at 31 December 2016, 2017 and 2018 was approximately 377.1%, 219.3% and 185.6%, respectively.

The gearing ratio as at 31 December 2017 decreased as compared to that of as at 31 December 2016 mainly because we recorded a decrease in total debt by approximately S$4.6 million or 9.3%, mainly due to the repayment of borrowing during the year while our total equity recorded an increase by approximately S$7.3 million or 56.0% which was primarily contributed by the net profit generated for FY2017.

The gearing ratio as at 31 December 2018 decreased as compared to that as at 31 December 2017 mainly because we recorded an increase in total debt by approximately S$6.9 million or 15.5%, mainly due to an increase in borrowings during the period of approximately S$9.8 million as offset by the settlement of amounts due to a shareholder by approximately S$2.9 million, while our total equity recorded an increase of approximately S$7.4 million or 36.5% which was primarily contributed by the net profit generated for FY2018.

Net debt to equity ratio

Net debt to equity equals net debt, which represents total debt net of cash and cash equivalents, over total equity as at the end of the respective year.

Our net debt to equity as at 31 December 2016, 2017 and 2018 was approximately 354.7%, 195.4% and 157.3%, respectively.

Similar to our gearing ratio, the decreases in the net debt to equity ratio for FY2017 were mainly because a decrease in total debt but an increase in total equity was recorded for FY2017. Our net debt increased by approximately 9.9% as at 31 December 2018 as compared with 31 December 2017 primarily attributable to the increase in total debt by 15.5%, while the total equity increased by approximately 36.5% primarily contributed by the net profit generated for FY2018, contributing to the decrease in net debt to equity ratio from approximately 195.4% as at 31 December 2018 to 157.3%.

Interest coverage

Interest coverage is calculated by profit for the year before interest and tax over total finance expense for the respective year.

The interest coverage was approximately 4.9 times, 7.3 times and 6.4 times for FY2016, FY2017 and FY2018, respectively.

The interest coverage ratio for FY2017 increased to approximately 7.3 times from FY2016 of approximately 4.9 times mainly because our operating profit had increased by approximately 64.6%, while our finance expense increased by only approximately 23.9% from FY2016. Such significant increase in operating profit was mainly driven by the increase in our Group's revenue and gross profit as discussed in the paragraph headed under "Year to Year Comparison of Results of Operations" of this section above.

The interest coverage ratio decreased from approximately 7.3 times for FY2017 to approximately 6.4 times for FY2018 mainly because our operating profit had decreased by approximately 4.0%, while our finance expense increased by approximately 9.4% from FY2017 as discussed in the paragraph headed under "Year to Year Comparison of Results of Operations" of this section above.

FINANCIAL RISK MANAGEMENT

Our Group's activities expose it to variety financial risks: market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk.

(a) Foreign exchange risk

Our Group is exposed to foreign exchange risk arising from foreign currency transactions. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. Our Group is exposed to foreign exchange risk arising from various currency exposure, primarily with respect to US$, Euro, GBP, JPY and HKD.

Should S$ be strengthened/weakened by 5% for FY2016, FY2017 and FY2018 against those currencies with all other variables held constant, the profit for the year and the equity for FY2016, FY2017 and FY2018 would have been approximately S$51,000, S$97,000 and S$34,000 lower/higher respectively as a result of foreign exchange losses/gains.

Our Group's exposure to other foreign exchange movements is not material.

(b) Interest rate risk

Our Group's interest rate risk arises from bank deposits and borrowings. Borrowings obtained at variable rates expose our Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose our Group to fair value interest rate risk. Details of our Group's borrowings have been set out in Note 20 of the Accountant's Report in the Appendix I to this prospectus.

Our Group's interest-bearing asset comprises of finance lease receivables, which are at fixed rates and subject to fair value interest rate risk. Details of our Group's finance lease receivables have been set out in Note 18 of the Accountant's Report in the Appendix I to this prospectus.

For FY2016, FY2017 and FY2018, if interest rates on all variables rate bearing borrowings had been 100 basis-points higher/lower with all other variables held constant, profits for the year for FY2016, FY2017 and FY2018 would have decreased/increased by approximately S$3,000, S$3,000 and S$3,000 respectively.

(c) Credit risk

The credit risk of our Group mainly arises from cash and cash equivalent, trade and other receivables, finance lease receivable and amount due from a related party. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

For banks and financial institutions, only independent parties with high credit rating are accepted. As at 31 December 2016, 2017 and 2018, all bank balances were held at reputable financial institutions with sound credit ratings.

For trade and other receivables, our management makes periodic collective assessments as well as individual assessment on the recoverability of trade and receivables based on historical settlement records and past experience. Our Group's management has considered among other factors (including forward looking information), analysed historical pattern and concluded that the expected credit loss rate for trade receivable due less than 1 year is close to zero and an expected credit loss rate of approximately 0% to 55% for trade receivable due after 1 year, the impact of the expected loss is assessed to be immaterial.

Our Group will monitor debtors with long outstanding balances and will engage in enforcement activities to recover the receivables due. Where recoveries are made, these are recognised in combined statements of comprehensive income. Our Group will write off any unrecovered receivables after all possible means of debt recovery activities.

Further details regarding our credit risks are set out in Note 3 to the Accountant's Report as set out in the Appendix I to this prospectus.

(d) Liquidity risk

Our Group's policy is to maintain sufficient cash to meet its liquidity and working capital requirements.

Our Group monitors and maintains a level of cash balances deemed adequate by the management to finance our Group operations and mitigate the effects of fluctuation of cash flows.

Management monitors rolling forecasts of our Group's liquidity reserve which comprises cash and cash equivalents, borrowings and undrawn borrowing facilities on the basis of expected cash flows. As our Group relies borrowings as a source of liquidity, the management monitors regularly and closely the utilisation of borrowings (drawn and undrawn) and ensures compliance with loan covenants. Our Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Further details regarding our financial risks are set out in Note 3 to the Accountant's Report as set out in the Appendix I to this prospectus.

DIVIDEND AND DIVIDEND POLICY

For FY2016, FY2017 and FY2018, Vincar declared dividends of approximately S$5.5 million, S$3.0 million and S$Nil, respectively to our Controlling Shareholder. Dividends declared for FY2016 and FY2017 have been recorded in the balance with the Controlling Shareholder as disclosed in Note 24(b) of the Accountant's Report as set out in Appendix I to this prospectus. The amount due to the Controlling Shareholder as at 31 December 2018 is expected to settle prior to the Listing.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. We currently intend to adopt, after the Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of not less than 15% of our distributable profit for any particular financial year. Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to the applicable laws and regulations including the Companies Law and our Articles which also require the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, amongst other things, our results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors.

Any dividends declared will be in Singapore dollars with respect to the Shares on a per Share basis, and our Company will pay such dividends in Hong Kong dollars.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 4 July 2017 in Cayman Islands and is an investment holding company. There was no reserve available for distribution to the Shareholders as of the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial information, the following transactions were carried out with related parties during the Track Record Period:

Transactions	FY2016	FY2017	FY2018	Continuing connected transaction under Chapter 14A of the Listing Rules (Yes/No)
	S$'000	*S$'000*	*S$'000*	
Rental expenses charged by related parties				
— Autumn Silver Investments Ltd	(60)	(60)	(60)	Yes
— Victoria Land Limited	(84)	(84)	(84)	Yes
— Wealth Assets	—	—	(780)	No
— Mr. Vincent Tan and Mrs. Marisa Tan	—	—	(96)	Yes
	(144)	(144)	(1,020)	
Purchases of motor vehicles and registration from related parties				
— Mrs. Marisa Tan	(950)	(389)	—	No
— Father of Ms. Ng	—	(90)	—	No
	(950)	(479)	—	
Sales of motor vehicles, spare parts and accessories to related parties				
— AFM	535	232	—	No
— Father of Ms. Ng	—	178	—	No
— Spouse of Ms. Ng	—	120	—	No
— Mrs. Marisa Tan	17	421	—	No
	552	951	—	
Payments on behalf of related parties				
— Vincar Assets	10	8	Negligible	No
— Mrs. Marisa Tan	—	4	2	No
— AFM	32	5	—	No
— Ms. Ng	5	Negligible	—	No
— Spouse of Ms. Ng	—	—	1	No
— Father of Ms. Ng	—	—	3	No
	47	17	6	
Leasing revenue from a related party				
— AFM	25	3	—	No
Commission expenses paid/payable to a related party				
— Spouse of Ms. Ng	(1)	(2)	—	No

Information in relation to the relationships of these related parties with our Group are set out in Note 23 of the Accountants Report as set out in Appendix I to this prospectus. With respect to the above related party transactions, our Directors believe that such transactions were conducted on arm's length basis. Based on the foregoing and the amounts of these related party transactions are immaterial as compared to the revenue generated by our Group, our Directors are of the view that the aforesaid related party transactions would not distort our financial results during the Track Record Period or make our historical results not reflective of our future performance. The continuing connected transactions as indicated above will constitute exempt continuing connected transaction under Chapter 14A of the Listing Rules upon Listing. For details of the continuing connected transactions, please refer to the section headed "Connected Transactions" in this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted combined net tangible of our Group has been prepared, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 December 2018. Please see the section headed "Appendix II — Unaudited Pro Forma Financial information" for details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Please refer to the paragraphs headed "Recent developments" and "Material adverse change" in the section headed "Summary" in this prospectus for details.

FUTURE PLANS AND IMPLEMENTATION

Please refer to the paragraph headed "Business — Our Business Strategies" in this prospectus for our Group's business objectives, strategies and future plans. Our implementation plans for each of the six-month periods until 31 December 2020 are set forth below. Our future plans and the scheduled times for implementation are formulated on the bases and assumptions referred to in the paragraph headed "Bases and Assumptions" in this section.

1. For the period from the Listing Date to 30 June 2019

Business strategies	Implementation activities	Source of funding
Expanding the scale of our motor vehicle hire purchase financing business	• To set aside approximately S$3.1 million to expand our Group's financial capacity to provide direct in-house hire purchase financing.	• Utilising (i) net proceeds from the Share Offer attributable to us of approximately S$1.1 million; and (ii) internal resources and/or block discounting facilities of approximately S$2.0 million.
	• To increase our marketing efforts to promote our hire purchase option to potential customers.	• N/A
Expanding the scale of our pre-owned motor vehicle sales business	• To set aside approximately S$1.0 million to purchase more pre-owned motor vehicles so as to build up our Group's inventory of pre-owned motor vehicles and to defray inventory holding costs.	• Utilising (i) net proceeds from the Share Offer attributable to us of approximately S$0.9 million; and (ii) internal resources and/or floor stocking facilities of approximately S$0.1 million.
Enhancing our branding, sales and marketing efforts	• To further enhance our branding, sales and marketing efforts in light of the commencement of operation at our Leng Kee Autopoint showroom.	• Utilising net proceeds from the Share Offer attributable to us of approximately S$0.2 million.
	• Employment of additional sales staff for operation of Leng Kee Autopoint showroom going forward.	• Utilising internal resources.

2. For the six months ending 31 December 2019

Business strategies	Implementation activities	Source of funding
Expanding the scale of our motor vehicle hire purchase financing business	• To set aside approximately S$3.1 million to expand our Group's financial capacity to provide direct in-house hire purchase financing.	• Utilising (i) net proceeds from the Share Offer attributable to us of approximately S$1.1 million; and (ii) internal resources and/or block discounting facilities of approximately S$2.0 million.
	• To increase our marketing efforts to promote our hire purchase option to potential customers.	• N/A
Expanding the scale of our pre-owned motor vehicle sales business	• To set aside approximately S$1.0 million to purchase more pre-owned motor vehicles so as to build up our Group's inventory of pre-owned motor vehicles and to defray inventory holding costs.	• Utilising (i) net proceeds from the Share Offer attributable to us of approximately S$0.9 million; and (ii) internal resources and/or floor stocking facilities of approximately S$0.1 million.
Setting up a motor vehicle workshop	• To set aside renovation costs and fitting costs for the motor vehicle workshop of approximately S$1.1 million.	• Utilising (i) net proceeds from the Share Offer attributable to us of approximately S$0.8 million; and (ii) internal resources of approximately S$0.3 million.
	• To set aside approximately S$0.3 million to purchase the necessary plant and equipment such as double scissors lifts, lift gates, vehicle air compressors, wheel clamps, etc.	• Utilising net proceeds from the Share Offer attributable to us of approximately S$0.3 million.
	• To purchase software and other equipment.	• Utilising internal resources.
Enhancing our branding, sales and marketing efforts	• To continue our branding, sales and marketing efforts for commencement of operation at our Leng Kee Autopoint showroom and the motor vehicle workshop.	• Utilising net proceeds from the Share Offer attributable to us of approximately S$0.2 million.

3. For the six months ending 30 June 2020

Business strategies	Implementation activities	Source of funding
Expanding the scale of our motor vehicle hire purchase financing business	• To set aside approximately S$3.7 million to expand our Group's financial capacity to provide direct in-house hire purchase financing.	• Utilising (i) net proceeds from the Share Offer attributable to us of approximately S$1.3 million; and (ii) internal resources and/or block discounting facilities of approximately S$2.4 million.
	• To increase our marketing efforts to promote our hire purchase option to potential customers.	• N/A
Expanding the scale of our pre-owned motor vehicle sales business	• To set aside approximately S$1.5 million to purchase more pre-owned motor vehicles so as to build up our Group's inventory of pre-owned motor vehicles and to defray inventory holding costs.	• Utilising (i) net proceeds from the Share Offer attributable to us of approximately S$1.3 million; and (ii) internal resources and/or floor stocking facilities of approximately S$0.2 million.
Enhancing our branding, sales and marketing efforts	• To continue our branding, sales and marketing efforts.	• Utilising net proceeds from the Share Offer attributable to us of approximately S$0.2 million.

4. For the six months ending 31 December 2020

Business strategies	Implementation activities	Source of funding
Expanding the scale of our motor vehicle hire purchase financing business	• To set aside approximately S$3.7 million to expand our Group's financial capacity to provide direct in-house hire purchase financing.	• Utilising (i) net proceeds from the Share Offer attributable to us of approximately S$1.3 million; and (ii) internal resources and/or block discounting facilities of approximately S$2.4 million.
	• To increase our marketing efforts to promote our hire purchase option to potential customers.	• N/A
Enhancing our branding, sales and marketing efforts	• To continue our branding, sales and marketing efforts.	• Utilising net proceeds from the Share Offer attributable to us of approximately S$0.2 million.

BASES AND ASSUMPTIONS

Our Directors have relied on the following bases and assumptions in the preparation of the future plans from the proposed listing date up to 31 December 2020:

(a) there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Singapore which will affect the business carried on by our Group;

(b) our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives related;

(c) there will be no material changes in the bases or rates of taxation in Singapore;

(d) there will be no significant changes in our Group's business relationships with its existing major customers and suppliers and banks;

(e) our Group will not be materially affected by the risk factors as set out in the section headed "Risk Factors" in the prospectus; and

(f) the specified purposes of our Group's banking facilities in relation to funding of the expansion plans were stipulated by banks. Block discounting facilities are specified to be used to finance our Group's hire purchase transactions, and floor stocking facilities are specified to be used to finance the building up of our Group's motor vehicle inventories including new and pre-owned motor vehicles. The specified purposes of our Group's other types of banking facilities include to finance our Group's working capital needs for COE bidding, to facilitate our Group's commercial hedging, etc. were also stipulated by the banks.

REASONS FOR THE SHARE OFFER AND LISTING

Our Directors believe that the Listing will facilitate the implementation of our business strategies as stated in the paragraph headed "Business — Our Business Strategies" in this prospectus. The key reasons for the Listing are set out below:

- the Listing status will demonstrate to our customers, suppliers and other stakeholders that we adhere to an international standard of corporate governance, internal control and financial reporting, which may enhance our counterparties' and stakeholders' trust in us and allow us to enjoy more favourable terms of business. As our Group sources new cars of popular motor brands from both local and overseas suppliers and who, to the best of the knowledge, information and belief of our Directors, tend to give preference to companies with good reputation together with operations and financial reporting transparency, the Listing can strengthen our suppliers' confidence in our Group's financial strength and credibility, and in turn, enhance our business relationship with them and increase our stability of supply;

- upon the Listing, our Shares will be freely traded on the Stock Exchange. The Listing status will (i) broaden our shareholder base and enhance the liquidity of our Shares, as compared to the limited liquidity of the shares that were privately held before the Listing; and (ii) strengthen our financial position;

- following the Listing, we will have access to the capital market which, in addition to the cash flow generated from our own operation, will provide us with additional channels for future fund raising exercises, such as bank borrowing and debt or equity financing from international banks and investors. This is important for providing the necessary financing to implement our future plans and to expand our business, in particular, our hire purchase financing business. Historically, our Group relied largely on bank borrowings to fund its

business operations, including purchase of motor vehicles inventories and provision of in-house motor vehicle financing services. The unutilised banking facilities should be used for specific purpose as stipulated by banks which limit our Group's future expansion plan. With additional fund raising channels, our Group can raise more funds and it is important for the implementation of our business strategies, as well as our Group's further expansion and development as and when required. Furthermore, our Directors believe that as a public entity with strengthened financial position, our Group would have better access to bank financing at more favourable terms such as enlarged credit limit and lower interest rate;

- the Listing will provide our Group with enhanced flexibility to achieve a more desirable and optimal capital structure in terms of debt-equity. During the Track Record Period, (i) our Group's average gearing ratio and net debt to equity ratio as at each respective year end were over 180% and 150%, respectively; and (ii) our Group is subject to interest rate risk in relation to our Group's floating-rate bank borrowings. In this regard, our Group had incurred interest expenses of approximately S$1,391,000, S$1,533,000 and S$1,726,000, representing approximately 14.9%, 13.9% and 13.7% of the total operating expenses (excluding listing expenses) for FY2016, FY2017 and FY2018, respectively. Any material changes in borrowing costs of our Group as a result of interest rate fluctuations may adversely affect the business and financial performance of our Group. Considering the aforementioned and that pursuing debt financing would increase our Group's gearing ratio, our Directors are of the view that the net proceeds from the Share Offer due to us will enhance our Group's capital structure in terms of debt-equity ratio so that the gearing ratio can be lowered to below 100% as at 31 December 2019 and hence strengthens the financial position of our Group. Furthermore, the Listing will enable our Group to obtain financing on more favourable terms such as enlarged credit limit and lower interest rate, which can further improve our Group's cash flows position as a result of the reduction in interest expenses. Moreover, in the event our Group is unable to obtain waiver from its major banks in respect of their rights to demand for immediate repayment of the block discounting financing granted to our Group, our Group may end up with net current liabilities and the financial performance of our Group will be negatively affected as a result. For further details, please refer to the paragraph headed "Financial Information — Net Current (Liabilities)/Assets" in this Prospectus. It is expected that the net proceeds from the Share Offer due to us will enable our Group to strengthen its capital structure so that our Group's reliance on the bank borrowings can be reduced;

- the Listing will increase our Group's working capital and enhance our operating cash flow. During the Track Record Period, our Group derives cash flows from operating activities mainly from sales of motor vehicles and receipt of monthly instalment payments from our Group's hire purchase financing business. Our Group's cash outflows from operating activities are principally payments for the purchase of motor vehicles to its suppliers. In the past few years, we had encountered net cash outflow from operating activities, for example we had net cash outflow from operating activities of S$0.8 million in FY2016. Such net cash outflow from operating activities was mainly due to the purchase of motor vehicles which is positively correlated to our Group's inventory movement. In this regard, our Group would require more funding to sustain its capital-intensive operating activities, especially for the purchase of motor vehicle inventories and hire purchase financing business. Given the predicted cyclical industry trend of the sales of new cars from 2018 to 2023, our Directors consider that it is of paramount importance to implement the future plans as set forth in the paragraph headed "Business — Our Business Strategies" and the section headed "Future Plans and Use of Proceeds" in this prospectus to diversify the income stream of our Group and to further strengthen our Group's market position. The commencement of operation of Leng Kee Autopoint showroom in March 2018 also resulted in an increase in the operating expenses of our Group which would further increase our Group's working capital needs. Currently, our Group devotes its internal resources mainly to the trading of new motor vehicles which requires substantial working capital, and our Group's limited capital base restricts its ability to actively promote its direct in-house hire purchase financing services to its customers. To support our Group's initiatives in the development of the Leng Kee Autopoint showroom since March 2018 and the concurrent expansion of the scale of pre-owned motor vehicles sales business and the hire purchase financing services, as well as the diversification of the business by way of setting up and operating a motor vehicle workshop, our Directors are of the view that our Group would essentially require more working capital for its business expansion and operations in a long run. As such, the Listing would support our Group's genuine funding needs for its implementation of such expansion plans in order to improve our Group's market competitiveness in the motor vehicle retail industry in Singapore;

- the Listing will enable our Company to offer equity-based incentive programs (such as a Share Option Scheme) to our employees that correlate more directly to their performance. We will therefore be in a better position to motivate our employees using our Shares as a means of reward and to build a team of eager and enthusiastic staff through incentive programs that are closely aligned with the objective of creating value for our Shareholders. The Listing status will also help raise staff confidence. It will improve our ability to recruit, motivate and retain key management personnel so as to expediently and effectively capture any business opportunities that may arise;

- in terms of funding costs, although the one-off listing expenses to be incurred is higher than interest expenses at the current interest rate level for the same amount of funds, interest rate is expected to increase and has started to increase. Therefore in the longer term, interest expenses is expected to be materially higher. Accordingly, having a listed platform would allow us the option to raise further equity funding in the future if interest rates further rises and monetary liquidity tightens; and

- based on our business plan, our Group is expected to utilise its net proceeds due to us from the Share Offer of approximately HK$60.4 million to implement our future plans by 31 December 2020. Without the proceeds from the Share Offer, our Company may not be able to fund our expansion plans and our existing operation solely on the unutilised banking facilities and cash balance.

Our Directors considered and evaluated different listing venues and platforms with reference to (i) the reputation and prestige among the stock markets in Southeast Asia; (ii) prevailing level of equity fund raising activities; and (iii) eligibility with regard to the respective listing requirements, and between the Singapore's Catalist Board ("**Singapore Catalist Board**") on The Singapore Exchange Securities Trading Limited (the "**Singapore Exchange**") and the Main Board which were shortlisted by our Directors, our Directors concluded that the Main Board is the suitable place to pursue a listing due to the following reasons:

- the level of trading activities on a stock exchange is one of the key indicators for the ease of conducting secondary fund raising exercises after listing. Based on the information from the Wind Financial Terminal (***www.wind.com.cn***), the average monthly turnover of stocks in Hong Kong was approximately HK$2,191.3 billion for 2018. By comparison, according to the Singapore Exchange, the average monthly turnover of stocks for the Singapore Catalist Board in Singapore was approximately S$0.3 billion (equivalent to approximately HK$1.7 billion) for 2018. According to the data compiled by the World Bank, in 2017, the turnover ratio of stocks traded in the Hong Kong stock market was approximately 43.4% while the turnover ratio of stocks traded in the Singapore stock market was only approximately 27.9%. Also, according to the chief executive of the Stock Exchange as quoted in a newspaper article published in August 2018, the Stock Exchange ranked number one worldwide in terms of initial public offerings funds raised. Therefore, our Directors believe that the Stock Exchange would be a more dynamic equity fundraising platform for market participants. The higher turnover ratio of stocks traded in Hong Kong also represented a more efficient market for secondary fund raising, of which given the capital intensive nature of our business we may consider as and when appropriate. Given the higher liquidity and volume of the Hong Kong stock market as compared to the Singapore stock market, our Directors are of the view that it would be easier to conduct secondary fund raising in the Hong Kong stock market, if necessary, for our further

expansion in the future. Our Directors also believe that a public listing status in Hong Kong will allow us to have a greater exposure to international financial market and investment community, which may open up a new channel of financing and enable us to diversify our shareholder base more effectively;

- our Directors are of the view that the location of our operations in Singapore should not be the deciding factors of where we pursue our listing status but instead should be based on an evaluation of the aforementioned considerations. Furthermore, with information technology and retail stocking trading platforms that cater to multiple stock exchanges, our Directors are of the view that the location of operations is not necessarily to be the same as where we pursue a listing;

- the Hong Kong stock market has a high level of internationalisation, wide diversity of investors, maturity in the global financial market, with sufficient institutional capital and funds following the companies listed in Hong Kong. As such, the Stock Exchange would be recognised by existing and potential customers as having offered a certain standard of corporate governance and financial strength. Accordingly, our Directors believe that listing in Hong Kong will achieve our goals in relation to our future plans by allowing and assisting us to expand our operations and strengthen our market position in the motor vehicle business in Singapore;

- having a listing status on the Stock Exchange would enable our Group to enhance our presence and reputation in the Asia market including the PRC, which will in turn allow our Group to reach out to a wider pool of suppliers from Asia for both our existing motor vehicle sales business and our future plan of operating a motor vehicle workshop business where tools, spare parts and accessories will be mainly sourced from PRC suppliers. The status of being a listed company in Hong Kong also makes it easier for our Group to maintain and build up business relationships with both existing and new suppliers, as they may prefer to work with listed companies given their reputation, listing status, public financial disclosures and general regulatory supervision by the relevant regulatory bodies. It also demonstrates to business partners that our Group has an international standard of internal control, corporate governance regulations and financial reporting. Moreover, the listing status with the Stock Exchange is paving the way for possible motor vehicle related business collaborations with other companies throughout Asia for our Group's long-term business development;

- given the internationalism and reputation of the Hong Kong stock market, our Directors believe that listing on the Stock Exchange will facilitate us in attracting talents to join our Group and have access to a larger pool of talents will improve our quality of service. In addition, the listing status on the Stock Exchange will facilitate our in-house talent management, through staff retention and development whereby existing staff will be motivated to further their development career in view of being perceived working with a company with a listing status on a global platform; and

- there are various motor vehicle dealers listed on the Stock Exchange whose business model is comparable to that of our Group. Hence, our Directors consider that investors in Hong Kong would be familiar with the business nature of motor vehicle dealers which our Group is engaged in, and being listed on the Stock Exchange will in turn increase the degree of investor recognition of our Company.

Based on the above, notwithstanding that our Group's business is primarily based in Singapore, our Directors believe that a listing on the Stock Exchange will allow us to have greater exposure to the international financial market and investment community, which may open up a new channel of financing for us.

NO LISTING APPLICATION MADE IN SINGAPORE

Our Directors confirmed that we have not applied for listing in Singapore, and to the best of their knowledge and belief, there would have been no impediments to our listing application if we were to apply for listing in Singapore.

Our Directors had considered and evaluated different listing venues including Hong Kong and Singapore and have concluded that Hong Kong is the suitable venue to pursue a listing. Our Directors consider that Hong Kong is an international financial centre and the stock market in Hong Kong is well established and highly recognised internationally. Notwithstanding that our Group's business is primarily based in Singapore, our Directors believe that a listing on the Stock Exchange will allow us to have greater exposure to international financial market and investment community, which may open up a new channel of financing.

USE OF PROCEEDS

Our Directors estimate the net proceeds of the Share Offer which we will receive, assuming an Offer Price of HK$0.45 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), will be approximately HK$60.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Share Offer.

The allocation of the net proceeds (assuming that the Offer Price per Offer Share is the mid-point of the indicative Offer Price range) towards each of the above future plan, is expected to be as follows:

	Total	Approximate percentage of the total net proceeds
	(HK$'000)	*(%)*
Expanding the scale of our motor vehicle hire purchase financing business	27,678	45.8
Expanding the scale of our pre-owned motor vehicle sales business	18,247	30.2
Setting up a motor vehicle workshop	6,281	10.4
Enhancing our branding, sales and marketing efforts	4,640	7.7
Working capital	3,597	5.9
Total	60,443	100.0

If the Offer Price is fixed at HK$0.47 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of (i) approximately HK$4.3 million.

If the Offer Price is fixed at HK$0.43 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by (i) approximately HK$4.3 million.

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Share Offer is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

To the extent that the net proceeds from the Share Offer due to us are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with licensed banks and/or financial institutions in Singapore and/or Hong Kong.

Assuming that the Offer Price is fixed at HK$0.45 per Offer Share (being the mid-point of the indicative Offer Price range), we estimate that the Selling Shareholder will receive net proceeds of approximately HK$8.5 million, after deducting the underwriting commissions and fees payable by the Selling Shareholder in respect of the Sale Shares. We will not receive the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Share Offer.

We will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds.

PUBLIC OFFER UNDERWRITERS

Titan Financial Services Limited

Great Roc Capital Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Public Offer. The Public Offer is fully underwritten by the Public Offer Underwriters on a conditional basis. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the terms and conditions of the Placing Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us (for ourselves and on behalf of the selling Shareholder), the Share Offer will not proceed and will lapse.

PUBLIC OFFER UNDERWRITING ARRANGEMENTS

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms relating thereto and the Public Offer Underwriting Agreement.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares are subject to termination by written notice to our Company from the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), if any of the following events occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

(a) there has come to the notice of the Joint Bookrunners:

(i) that the Placing Shares and the Public Offer Shares are not fully subscribed, unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms, the Public Offer Underwriting Agreement, and the Placing Underwriting Agreement; or

(ii) that any statement contained in this prospectus or the Application Forms, considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in relation to the Share Offer, was, when the same was issued, or has become, untrue, incorrect or misleading in any material respect or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms and/or any announcements issued by our Company in connection with the Share Offer (including any supplement or amendment thereto), was, when it was made, not honestly made in any material respects; or

(iii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement in a material respect or a material omission therefrom as considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material to the Share Offer; or

(iv) any breach of any of the obligations imposed upon any party under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than on any of the Underwriters); or

(v) any breach, considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer, of any of the representations, warranties and undertakings given by our Company, our Executive Directors and Controlling Shareholders contained in the Public Offer Underwriting Agreement to be untrue, incorrect, inaccurate or misleading in any material respect; or

(vi) any change or development involving a prospective change in the conditions, business affairs, prospects, profits, losses or the financial or trading position or performance of any members of our Group which is considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer; or

(vii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws this prospectus and the Application Forms (and/or any other documents used in connection with contemplated subscription and sale of the Offer Shares) or suspends the Share Offer; or

(ix) any person (other than any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus and the Application Forms or to the issue of this prospectus and the Application Forms; or

(x) other than with the approval of the Joint Bookrunners, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus and the Application Forms (or to any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies (Miscellaneous Provisions) Ordinance, the Listing Rules, the SFO or any other applicable laws, or any requirement or request of the Stock Exchange and/or the SFC where the matter to be disclosed is, in the sole and reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), materially adverse to the marketing or implementation of the Share Offer; or

(xi) any prohibition on our Company by a governmental authority for whatever reasons from offering, allotting, issuing or selling of the Offer Shares pursuant to the terms of the Share Offer; or

(b) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international, financial, political, military, industrial, economic, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a revaluation or devaluation of the Singapore dollars or Hong Kong dollars against any foreign currencies, respectively) in or affecting Hong Kong, Singapore, the Cayman Islands, the BVI or any relevant jurisdiction (collectively, the "**Relevant Jurisdictions**" and individually, a "**Relevant Jurisdiction**"); or

(ii) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (whether or not covered by insurance or responsibility has been claimed) including, without limitation, acts of government, strikes, lock-outs, fire, explosions, flood, tsunami, riot, earthquakes, epidemics, pandemics, outbreaks of infections, diseases, Severe Acute Respiratory Syndrome (SARS), Influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome and any related or mutated forms of infectious diseases, civil commotions, economic sanctions, public disorder, social or political crises, acts of war, acts of terrorism, acts of God, accidents or interruptions or delays in transportation in or affecting any Relevant Jurisdiction; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

(v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange or (B) a general moratorium on commercial banking activities in Hong Kong, China, Singapore, the BVI or the Cayman Islands declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

(vi) any change or development involving a prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(viii) any litigation, legal action or claim of material importance being threatened or instigated against any member of our Group, our Executive Directors and/or the Controlling Shareholders; or

(ix) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any action against any Director or any member of our Group or an announcement by any governmental, law enforcement agency, regulatory or political body or organisation that it intends to take any such action; or

(x) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer of our Company vacating his position that leads to the circumstances where the operations of our Group will be materially and is likely, in the sole and absolute discretion of the Joint Bookrunners (acting reasonably for themselves and on behalf of the Public Offer Underwriters), be adversely affected; or

(xii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or substantive part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) or any aspect of the Share Offer with the Listing Rules, the Articles of Association, the Companies (Miscellaneous Provisions) Ordinance, the Companies Law, the SFO or any other applicable laws by any of the warrantors under the Public Offer Underwriting Agreement; or

(xiv) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity; or

(xv) any change or development involving a prospective change, or a materialisation of, any of the risk factors set out in the section headed "Risk Factors" in this prospectus, which in each case in the sole and reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

(1) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects of our Company or our Group or any members of our Group or on any present or prospective shareholder in his, her or its capacity as such; or

(2) has or will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or

(3) makes it impracticable, inadvisable or inexpedient for the Share Offer to proceed or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or

(4) has or will have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/it shall not and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in the paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of our Company.

Note 2 to Rule 10.07 of the Listing Rules provides that such rule does not prevent a Controlling Shareholder from using our Shares beneficially owned by it as security (including a charge or a pledge) in favor of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to each of the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date:

(a) when he/it pledges or charges any securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, he/it will immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when he/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged securities will be disposed of, he/it will immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of such matters and shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 2.07C of the Listing Rules.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertaking by our Company

We have undertaken with each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that we will not, and will procure our subsidiaries will not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Public Offer Underwriting Agreement and ending on the date which is six months after the Listing Date (the "**First Six-Month Period**"):

(a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any Shares or other securities of our Company or any shares or other securities of other

member of our Group or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any of the above transactions as stated in (a) and (b) above; or

(d) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of Share or other securities, in cash or otherwise and in the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the First Six-month Period (the "**Second Six-Month Period**"), our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for the Shares or other securities of our Company.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders, pursuant to the Public Offer Underwriting Agreement, has jointly and severally represented warranted undertaken to and covenanted with our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Capitalisation Issue and the Share Offer, he/it shall not, and shall procure that his/its relevant registered holder(s) and associates shall not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and unless in compliance with the Listing Rules,

(a) at any time during the First Six-Month Period:

(i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or

securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly by any of our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial interest; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such shares, capital or other securities or any interest therein; or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;

(b) at any time during the Second Six-Month Period:

(i) enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above if, immediately following such transaction, it will cease to be a Controlling Shareholder of our Company or would together with the other Controlling Shareholders cease to be Controlling Shareholders of our Company; and

(ii) until the expiry of the Second Six-Month Period: in the event that any of our Controlling Shareholders enters or agrees or contracts to or publicly announce an intention to enter into the foregoing transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company.

Without prejudice to the Controlling Shareholders' undertaking above, each of the Controlling Shareholders has further undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period, he or it shall:

(i) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting rights or other rights attaching thereto) or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(ii) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting rights or other rights attaching thereto) or other securities of our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters in writing of such indications.

Our Company undertakes to and covenants with the Joint Bookrunners and the Public Offer Underwriters that our Company shall forthwith inform the Joint Bookrunners and the Stock Exchange in writing immediately after we have been informed of the matters above, and our Company shall disclose such matters by way of an announcement and shall comply with all requirements of the Listing Rules.

PLACING

In connection with the Placing, it is expected that our Company, our Controlling Shareholders, our Executive Directors and the Selling Shareholder will enter into the Placing Underwriting Agreement with, *inter alia*, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters will severally agree to procure subscribers to subscribe for, or failing which it shall subscribe for, Placing Shares initially being offered pursuant to the Placing.

It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company and the Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed "Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

COMMISSION AND EXPENSES

The Underwriters will receive an underwriting commission of 5.0% on the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commissions and other selling concessions will be paid.

The aggregate of the underwriting commissions, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and printing and other professional fees and expenses relating to the Share Offer which is currently estimated to be approximately HK$32.3 million in total, based on the Offer Price of HK$0.45 per Offer Share (being the mid-point of the indicative range of the Offer Price). Our Company will bear approximately HK$31.8 million of these expenses in relation to the New Shares to be issued by our Company pursuant to the Share Offer.

PUBLIC OFFER UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for the obligations under the Public Offer Underwriting Agreement, as at the Latest Practicable Date, none of the Public Offer Underwriter was interested, directly or indirectly, in any shares or securities in our Company or any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in our Company or any member of our Group.

SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

SPONSOR'S INTERESTS IN OUR COMPANY

Save for (i) the advisory, documentation and arrangement fees to be paid to the Sole Sponsor as the sponsor to the Listing; and (ii) the fee to be paid to the Sole Sponsor as our Company's compliance adviser pursuant to the requirements under Rules 3A.19 of the Listing Rules, neither the Sole Sponsor nor any of its close associates has or may have, as a result of the Share Offer, any interest in any class of securities in our Company or any of its subsidiaries (including options or rights to subscribe for such securities).

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may have, as a result of the Share Offer, any interest in any class of securities of our Company or any of our subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer). No director or employee of the Sole Sponsor has a directorship in our Company or any of our subsidiaries.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

INDEMNITY

Each of our Company and our Controlling Shareholders has undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters from and against certain losses which they may suffer, including losses arising from their performance of their obligations in legal and reasonable manner under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

THE SHARE OFFER

The Share Offer comprises:

(i) the Public Offer of 22,500,000 Shares (subject to reallocation as mentioned below) in Hong Kong; and

(ii) the Placing of an aggregate of 202,500,000 Shares comprising 182,500,000 New Shares being offered by our Company for subscription and 20,000,000 Sale Shares being offered by the Selling Shareholder for purchase (subject to reallocation as mentioned below).

Investors may apply for Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme).

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK$0.47 per Offer Share and is expected to be not less than HK$0.43 per Offer Share, unless otherwise announced. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK$0.47 per Public Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK$2,373.68 for one board lot of 5,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK$0.47 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about the Price Determination Date. The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 19 February 2019.

If, for any reason, our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or around the Price Determination Date, the Share Offer will not proceed and will lapse.

Reduction in Offer Price and/or number of Offer Shares

If, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, the Joint Bookrunners (for themselves and on behalf of the Underwriters) consider it appropriate and together with our consent (for ourselves and on behalf of the Selling Shareholder), the indicative Offer Price and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the Stock Exchange's website and on our Company's website, the notice of the reduction in the indicative Offer Price and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of working capital statement, the offering statistics as currently set out in the section headed "Summary" in this prospectus, the use of proceeds in the paragraph headed "Business — Our Business Strategies" and the section headed "Future Plans and Use of Proceeds" in this prospectus, and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price indicated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. If applicants have already submitted applications for the

Public Offer Shares before the last day for lodging applications under the Public Offer, applicants will not be allowed to subsequently withdraw their applications. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

Allocation

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Announcement of the Basis of Allocations

The level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Wednesday, 27 February 2019 on the website of the Stock Exchange at ***www.hkexnews.hk*** and our Company's website at ***http://www.guanchaoholdingsltd.com***.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms, or by giving **electronic application instructions** to HKSCC will be made available through a variety of channels as described in the paragraph headed "How to Apply for Public Offer Shares — 10. Publication of Results" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares will be conditional on, among other things:

(i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(ii) the Offer Price having been duly determined on or around the Price Determination Date;

(iii) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the websites of our Company and the Stock Exchange at ***www.guanchaoholdingsltd.com*** and ***www.hkexnews.hk*** respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the paragraph headed "How to Apply for Public Offer Shares — 12. Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, 27 February 2019 and will only become valid certificates of title at 8:00 a.m. on Thursday, 28 February 2019 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the paragraph headed "Underwriting — Public Offer Underwriting Arrangements — Grounds for termination" in this prospectus has not been exercised.

THE PUBLIC OFFER

Number of the Offer Shares initially offered

Our Company is initially offering 22,500,000 Offer Shares (subject to reallocation) at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Share Offer). Subject to the reallocation of Offer Shares between the Placing and the Public Offer described below, the Public Offer Shares will represent 2.5% of our enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme). The Public Offer is open for subscription to members of the public in Hong Kong as well as professional, institutional and other investors in Hong Kong. Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" above.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account of any reallocation of the Offer Shares allocated between the Public Offer and the Placing) is to be divided equally into two pools.

Pool A will comprise 11,250,000 Public Offer Shares and Pool B will comprise 11,250,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 11,250,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

(a) Where the Placing Shares are fully subscribed or oversubscribed:

(i) if the Public Offer Shares are not fully subscribed, the Joint Bookrunners (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate;

(ii) if the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then an additional 22,500,000 Offer Shares may be reallocated to the Public Offer from the Placing so that the total number of the Public Offer Shares available under the Public Offer will be increased to 45,000,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Share Offer;

(iii) if the number of the Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then an additional 45,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of the Public Offer Shares available under the Public Offer will be 67,500,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;

(iv) if the number of the Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then an additional 67,500,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of the Public Offer Shares available under the Public Offer will be 90,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and

(v) if the number of the Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then an additional 90,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of the Public Offer Shares available under the Public Offer will be 112,500,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

(b) Where the Placing Shares are not fully subscribed:

(i) If the Public Offer Shares are not fully subscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Public Offer Shares are fully subscribed irrespective of the number of times the number of Offer Shares initially available under the Public Offer, then up to 22,500,000 Offer Shares may be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 45,000,000, representing 20% of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares from the Placing to the Public Offer in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK$0.43 per Offer Share) in accordance with the Guidance Letter HKEx-GL91-18 (issued in February 2018) by the Stock Exchange.

PLACING

Number of the Offer Shares offered

The number of the Offer Shares to be initially offered for subscription and/or purchase under the Placing will be 202,500,000 Offer Shares (subject to reallocation as described above), consisting of 182,500,000 New Shares initially offered by our Company for subscription and 20,000,000 Sale Shares offered by the Selling Shareholder, representing 90% of the Offer Shares available under the Share Offer. The Placing is subject to the Public Offer becoming unconditional.

Allocation

Pursuant to the Placing, the Placing Underwriters will conditionally place the Shares with professional, institutional and other investors expected to have a sizeable demand for the Shares in Hong Kong. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "bookbuilding" process described in paragraph headed "Pricing and Allocation" above and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS. Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or under contingent situation, any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 28 February 2019, it is expected that dealing in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 28 February 2019.

The Shares will be traded in board lots of 5,000 Shares each under the stock code 1872.

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Joint Bookrunners and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you (or the person(s) for whose benefit you are applying):

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Bookrunners, the Joint Lead Managers or their respective agents and nominees may accept or reject it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are a close associate of any of the above; and
- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR THE PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 13 February 2019 until 12:00 noon on Monday, 18 February 2019 from:

(a) any of the following address of the Public Offer Underwriters:

Titan Financial Services Limited
Suites 3201–02, 32/F
COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

Great Roc Capital Securities Limited
44/F Convention Plaza Office Tower
1 Harbour Road
Wan Chai
Hong Kong

(b) or any of the following branches of Standard Chartered Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Brand Name	Address
Hong Kong Island	Central Branch	G/F, 1/F, 2/F and 27/F Two Chinachem Central 26 Des Voeux Road Central Central
	Wanchai Southorn Branch	Shop C2, G/F and 1/F to 2/F Lee Wing Building No. 156-162 Hennessy Road Wanchai
Kowloon	Yaumatei Branch	G/F - 1/F, Ming Fong Bldg. 564 Nathan Road Yaumatei
	Tsimshatsui Branch	Shop G30 & B117-23, G/F Mira Place One 132 Nathan Road Tsim Sha Tsui
New Territories	Maritime Square Branch	Shop 308E, Level 3 Maritime Square Tsing Yi

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 13 February 2019 until 12:00 noon on Monday, 18 February 2019 from:

(i) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or

(ii) your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED — GUAN CHAO PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 13 February 2019 — 9:00 a.m. to 5:00 p.m.
Thursday, 14 February 2019 — 9:00 a.m. to 5:00 p.m.
Friday, 15 February 2019 — 9:00 a.m. to 5:00 p.m.
Saturday, 16 February 2019 — 9:00 a.m. to 1:00 p.m.
Monday, 18 February 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. on Wednesday, 13 February 2019 to 12:00 noon on Monday, 18 February 2019, the last application day or such later time as described in the paragraph headed "9. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully; otherwise, your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Miscellaneous Provisions) Ordinance, the Companies Law and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) agree that none of our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) (if the laws of any place outside Hong Kong apply to your application) agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company, the Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application** instructions to HKSCC by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance).

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at ***https://ip.ccass.com*** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and the Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Selling Shareholder, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, the Selling Shareholder, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

(a) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

(b) instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

(c) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 13 February 2019 — 9:00 a.m. to 8:30 p.m.
Thursday, 14 February 2019 — 8:00 a.m. to 8:30 p.m.
Friday, 15 February 2019 — 8:00 a.m. to 8:30 p.m.
Monday, 18 February 2019 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 13 February 2019 until 12:00 noon on Monday, 18 February 2019 (24 hours daily, except on 18 February 2019, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, 18 February 2019, the last application day or such later time as described in the paragraph headed "9. Effect of Bad Weather on the Opening of the Application Lists" in this section.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Selling Shareholder, the Hong Kong Branch Share Registrar, the receiving banker, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Selling Shareholder, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Underwriters, our Directors, officers or representatives or any other person involved in the Share Offer take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 18 February 2019.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed "Structure and conditions of the Share Offer — Pricing and Allocations — Price payable on application" in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 18 February 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 18 February 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the level of the indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 27 February 2019 on our Company's website at ***www.guanchaoholdingsltd.com*** and the website of the Stock Exchange at ***www.hkexnews.hk***.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at ***www.guanchaoholdingsltd.com*** and the Stock Exchange's website at ***www.hkexnews.hk*** by no later than 8:00 a.m. on Wednesday, 27 February 2019;

- from the designated results of allocations website at ***www.tricor.com.hk/ipo/result*** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 27 February 2019 to 12:00 midnight on Tuesday, 5 March 2019;

- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 27 February 2019 to Monday, 4 March 2019 (excluding Saturday, Sunday and Public Holidays in Hong Kong); and

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 27 February 2019 to Friday, 1 March 2019 at all the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong).

This agreement will take effect as a collateral contract with our Company. Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified they are required to confirm their applications. If applicant have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or the results of the ballot respectively.

(b) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of the Public Offer Shares is void:

The allotment of the Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

(i) within three weeks from the closing date of the application lists; or

(ii) within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

(i) you make multiple applications or suspected multiple applications;

(ii) you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;

(iii) your Application Form is not completed in accordance with the stated instructions;

(iv) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

(v) the Underwriting Agreements do not become unconditional or are terminated;

(vi) our Company or the Joint Bookrunners believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or

(vii) your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 27 February 2019.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

(b) refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, 27 February 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 28 February 2019 provided that the Share Offer has become unconditional and the right of termination described in the paragraph headed "Underwriting — Public Offer Underwriting Arrangements — Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 27 February 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 27 February 2019, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 27 February 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 27 February 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(i) If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

(ii) If you are applying as a CCASS investor participant

We will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 27 February 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) If you apply via Electronic Application Instructions to HKSCC

Allocation of the Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 27 February 2019 or on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in "Publication of Results" above on Wednesday, 27 February 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 27 February 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 27 February 2019. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 27 February 2019.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the Directors and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUAN CHAO HOLDINGS LIMITED AND TITAN FINANCIAL SERVICES LIMITED

Introduction

We report on the historical financial information of Guan Chao Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-73, which comprises the combined statements of financial position as at 31 December 2016, 2017 and 2018, the company statements of financial position as at 31 December 2017 and 2018, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-73 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 13 February 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

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

Reporting accountant's responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2017 and 2018 and the combined financial position of the Group as at 31 December 2016, 2017 and 2018 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which states that no dividends have been paid by Guan Chao Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
13 February 2019

1. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of the accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards of Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Singapore dollar ("S$") except when otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2016	2017	2018
	Note	*S$*	*S$*	*S$*
Revenue	5	144,375,222	204,898,505	184,993,333
Cost of sales	8	(129,222,921)	(182,842,731)	(162,959,327)
Gross profit		15,152,301	22,055,774	22,034,006
Other income	6(a)	399,330	521,413	463,478
Other (losses)/gains — net	6(b)	(561,276)	177,743	114,258
Selling and distribution expenses	8	(3,556,345)	(4,289,204)	(3,885,268)
General and administrative expenses	8	(4,626,002)	(7,261,428)	(7,975,338)
Operating profit		6,808,008	11,204,298	10,751,136
Finance income	7	253,841	124,217	266
Finance expenses	7	(1,390,935)	(1,533,335)	(1,676,914)
Finance expenses — net		(1,137,094)	(1,409,118)	(1,676,648)
Profit before income tax		5,670,914	9,795,180	9,074,488
Income tax expense	10(a)	(1,034,628)	(1,798,791)	(1,644,816)
Profit and total comprehensive income for the year		4,636,286	7,996,389	7,429,672
Basic and diluted earnings per share for profit attributable to equity holders of the Company for the year (express in S$ per share)	12	N/A	N/A	N/A

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2016	2017	2018
	Note	*S$*	*S$*	*S$*
ASSETS				
Non-current assets				
Property, plant and equipment	13	7,044,126	10,795,350	14,651,320
Deferred income tax assets	10(c)	118,153	215,805	131,094
Finance lease receivables	18	23,611,771	21,643,861	21,084,201
Prepayment for renovation	15	—	860,553	—
		30,774,050	33,515,569	35,866,615
Current assets				
Inventories	14	22,974,211	17,427,601	27,516,173
Trade and other receivables	15	10,037,479	19,021,800	23,143,400
Finance lease receivables	18	6,056,210	5,581,809	6,058,256
Amount due from a related party	16	15,477	21,898	21,992
Cash and cash equivalents	17	2,922,633	4,843,747	7,855,000
		42,006,010	46,896,855	64,594,821
Total assets		72,780,060	80,412,424	100,461,436

		As at 31 December		
		2016	2017	2018
	Note	*S$*	*S$*	*S$*
EQUITY AND LIABILITIES				
Capital and reserve attributable to equity holders of the Company				
Combined capital	22(a)	1,200,000	3,493,707	3,493,707
Retained earnings	22(a)	11,812,031	16,808,420	24,238,092
Total equity		13,012,031	20,302,127	27,731,799
LIABILITIES				
Non-current liabilities				
Borrowings	20	770,958	19,884,728	19,701,597
Current liabilities				
Trade and other payables and provision for warranty	19	8,799,010	12,942,468	19,259,406
Amount due to a shareholder	16	3,174,584	3,026,452	131,000
Borrowings	20	45,126,457	21,609,664	31,634,787
Derivative financial instruments	21	366,913	—	—
Income tax liabilities	10(b)	1,530,107	2,646,985	2,002,847
		58,997,071	40,225,569	53,028,040
Total liabilities		59,768,029	60,110,297	72,729,637
Total equity and liabilities		72,780,060	80,412,424	100,461,436

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December	
		2017	2018
	Note	*S$*	*S$*
ASSET			
Current asset			
Amount due from a shareholder	16	—	—
Total asset		—	—
EQUITY AND LIABILITY			
Capital and reserve attributable to equity holders of the Company			
Share capital	22(b)	—	—
Total equity		—	—
Total liability		—	—
Total equity and liability		—	—

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity holders of the Company		
		Combined capital	Retained earnings	Total equity
	Note	*S$*	*S$*	*S$*
Balance at 1 January 2016		1,200,000	12,675,745	13,875,745
Profit and total comprehensive income for the year		—	4,636,286	4,636,286
Dividends	11	—	(5,500,000)	(5,500,000)
Balance at 31 December 2016		1,200,000	11,812,031	13,012,031
Balance at 1 January 2017		1,200,000	11,812,031	13,012,031
Issuance of new shares	22(a)	2,293,707	—	2,293,707
Profit and total comprehensive income for the year		—	7,996,389	7,996,389
Dividends	11	—	(3,000,000)	(3,000,000)
Balance at 31 December 2017		3,493,707	16,808,420	20,302,127
Balance at 1 January 2018		3,493,707	16,808,420	20,302,127
Profit and total comprehensive income for the year		—	7,429,672	7,429,672
Balance at 31 December 2018		3,493,707	24,238,092	27,731,799

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2016	2017	2018
	Note	*S$*	*S$*	*S$*
Cash flows from operating activities				
Profit for the year		4,636,286	7,996,389	7,429,672
Adjustments for:				
Income tax expense		1,034,628	1,798,791	1,644,816
Depreciation expense	8	828,886	1,014,931	1,688,233
(Gain)/loss on disposal of property, plant and equipment	6(b)	(63,865)	(61,449)	6,757
Fair value loss on foreign exchange forward contracts	6(b)	366,913	—	—
Provision/(reversal of provision) for inventories write-down	8	10,653	(296,471)	(360,190)
Finance expenses	7	1,390,935	1,533,335	1,676,914
Finance income	7	(253,841)	(124,217)	(266)
		7,950,595	11,861,309	12,085,936
Changes in working capital:				
Inventories		(7,517,689)	5,843,081	(9,728,382)
Derivative financial instruments		—	(366,913)	—
Finance lease receivables		(4,275,044)	2,442,311	83,213
Trade and other receivables		3,385,424	(8,802,576)	(3,790,350)
Trade and other payables		(64,466)	4,143,458	6,316,938
Cash (used in)/generated from operations		(521,180)	15,120,670	4,967,355
Interest received		253,841	124,217	266
Income tax paid	10(b)	(580,173)	(779,565)	(2,204,243)
Net cash (used in)/generated from operating activities		(847,512)	14,465,322	2,763,378

	Note	Year ended 31 December 2016 S$	2017 S$	2018 S$
Cash flows from investing activities				
Purchase of property, plant and equipment	13	(1,940,254)	(5,862,008)	(5,186,171)
Proceeds from disposal of property, plant and equipment	24(a)	637,761	1,157,302	495,764
Repayment from/(advance to) a related party		289,673	(6,421)	(94)
Prepayment for renovation	15	—	(860,553)	—
Net cash used in investing activities		(1,012,820)	(5,571,680)	(4,690,501)
Cash flows from financing activities				
Repayment to a shareholder		(2,217,136)	(3,148,132)	(2,895,452)
Issuance of new shares	22	—	2,293,707	—
Proceeds from borrowings		60,137,613	63,136,218	91,694,657
Repayment of borrowings		(52,615,893)	(69,220,264)	(80,947,782)
Interest paid		(1,390,935)	(1,533,335)	(1,676,914)
Prepayment of listing expense		—	(181,745)	(331,250)
Net cash generated from/(used in) financing activities		3,913,649	(8,653,551)	5,843,259
Net increase in cash and cash equivalents		2,053,317	240,091	3,916,136
Cash and cash equivalents at beginning of year		869,316	2,922,633	3,162,724
Cash and cash equivalents at end of year		2,922,633	3,162,724	7,078,860
Analysis of balances of cash and cash equivalents				
Cash and bank balances	17	2,922,633	4,843,747	7,855,000
Bank overdrafts	20	—	(1,681,023)	(776,140)
Cash and cash equivalents at end of year		2,922,633	3,162,724	7,078,860

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 General information

The Company was incorporated in the Cayman Islands with the name of Guan Chao Holdings Limited (the "Company") on 4 July 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") sells new parallel-import motor vehicles and pre-owned motor vehicles, provision of motor vehicle financing services and motor vehicle insurance agency services, sales of motor vehicle spare parts and accessories and provision of motor vehicle leasing services (the "Listing Business"). The ultimate holding company of the Company is Gatehouse Ventures Limited ("Gatehouse Ventures"), a limited company incorporated in the British Virgin Islands ("BVI") on 10 May 2017. The ultimate controlling party of the Group is Mr. Tan Shuay Tarng Vincent ("Mr. Vincent Tan").

1.2 Reorganisation

Prior to the Reorganisation (as defined below), the Listing Business was carried out by Vincar Pte. Ltd. ("Vincar"), Vincar Leasing and Rental Pte. Ltd. ("VLR") and Autoart Motorsports Pte. Ltd. ("Autoart") (collectively, the "Operating Companies"), which were controlled collectively by Mr. Vincent Tan, the executive director of the Company.

In preparation for the initial public offering and the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent a group reorganisation (the "Reorganisation") to transfer the Listing Business to the Company. Details of the Reorganisation are set out below:

(i) On 10 May 2017, Gatehouse Ventures Limited ("Gatehouse Ventures") was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US$1.00, of which 10 shares have been allotted and issued to Mr. Vincent Tan for cash at par on 26 May 2017.

(ii) On 12 May 2017, Solution Lion Limited ("Solution Lion") was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US$1.00, of which 87 shares have been allotted and issued to Gatehouse Ventures for cash at par on 26 May 2017.

(iii) On 4 July 2017, the Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law, with an authorised share capital of HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each. On the date of its incorporation, one nil-paid share was allotted and issued to Sharon Pierson, as the initial subscriber, and was subsequently transferred to Gatehouse Ventures on the same date.

(iv) On 17 July 2017, Gifted Ally Limited ("Pre-IPO Investor") entered into the pre-IPO investment agreement with Mr. Vincent Tan and Solution Lion, pursuant to which Solution Lion agreed to allot and issue 10 ordinary shares of par value of US$1.00 each to the Pre-IPO Investor for a total cash consideration of HK$13,000,000.

(v) On 12 October 2018, pursuant to the sale and purchase agreement entered into between Mr. Vincent Tan and Solution Lion for the transfer of the entire issued and paid-up share capital of VLR from Mr. Vincent Tan to Solution Lion, in consideration of the allotment and issue of one ordinary share in Solution Lion, credited as fully paid, to Gatehouse Ventures (being the nominee of Mr. Vincent Tan) at the direction of Mr. Vincent Tan.

(vi) On 12 October 2018, pursuant to the sale and purchase agreement entered into between Mr. Vincent Tan and Solution Lion for the transfer of the entire issued and paid-up share capital of Vincar from Mr. Vincent Tan to Solution Lion, in consideration of the allotment and issue of one ordinary share in Solution Lion, credited as fully paid, to Gatehouse Ventures (being the nominee of Mr. Vincent Tan) at the direction of Mr. Vincent Tan.

(vii) On 12 October 2018, pursuant to the sale and purchase agreement entered into between Mr. Vincent Tan and Solution Lion for the transfer of the entire issued and paid-up share capital of Autoart from Mr. Vincent Tan to Solution Lion, in consideration of the allotment and issue of one ordinary share in Solution Lion, credited as fully paid, to Gatehouse Ventures (being the nominee of Mr. Vincent Tan) at the direction of Mr. Vincent Tan.

(viii) On 1 February 2019, pursuant to the sale and purchase agreement entered into among Gatehouse Ventures, the Pre-IPO Investor and the Company for the transfer of all the issued shares of Solution Lion from Gatehouse Ventures and the Pre-IPO Investor to the Company in consideration of (a) the Company allotting and issuing 89 shares and 10 shares to Gatehouse Ventures and the Pre-IPO Investor, respectively, all credited as fully paid; and (b) the initial share held by Gatehouse Ventures being credited as fully paid.

Upon completion of the Reorganisation, the Company became the holding company of the companies listed below. At the time of completion of the above Reorganisation, effective interest that are directly or indirectly owned or controlled by the Company are described in the table below.

Name of subsidiaries	Date of incorporation	Country of operation/ incorporation	Principal activities	Issued and paid up capital	Effective interest held As at 31 December 2016	2017	2018
Directly held by the Company							
Solution Lion Limited (Note i)	12 May 2017	British Virgin Islands	Investment holding company	S$2,293,707	—	100%	100%
Indirectly held by the Company							
Vincar Pte. Ltd. (Note ii)	18 December 2003	Singapore	Sales of parallel-import motor vehicles and pre-owned motor vehicles and provision of motor vehicle financing services and motor insurance agency services	S$1,000,000	100%	100%	100%
Vincar Leasing and Rental Pte. Ltd. (Note iii)	23 May 2014	Singapore	Leasing of motor vehicles	S$100,000	100%	100%	100%
Autoart Motorsports Pte. Ltd. (Note iii)	23 November 2015	Singapore	Sales of spare parts and accessories	S$100,000	100%	100%	100%

Note:

(i) For the years ended 31 December 2016, 2017 and 2018, this company is not required to be audited under the laws of the country of incorporation.

(ii) The statutory financial statements of this subsidiary was audited by PricewaterhouseCoopers LLP for the years ended 31 December 2016 and 2017. Up to date, the statutory financial statements of this subsidiary for the year ended 31 December 2018 are yet to be issued.

(iii) For the years ended 31 December 2016 and 2017, these companies are not required to be audited under the laws of the country of incorporation. Up to date, the statutory financial statements of these companies for the year ended 31 December 2018 are yet to be issued.

1.3 Basis of presentation

The Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the Listing Business under the common control of Mr. Vincent Tan immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of Mr. Vincent Tan, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from Mr. Vincent Tan's perspective. No amount recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, which are carried at fair value.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

In preparing the Historical Financial Information, the Directors have given careful consideration to the future liquidity of the Group. While recognising the Group had net current liabilities of S$16,991,061 as at 31 December 2016, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future as (i) one of the Operating Companies, Vincar, had received confirmation letters from its major bank confirming that it waived its rights to demand for immediate repayment of the block discounting financing (Note 20(e)) granted to Vincar for a period of 12 months from 31 December 2017 and 2018; and (ii) the Group has unutilised committed banking facilities of approximately S$841,621, S$6,205,680 and S$6,389,065 as at 31 December 2016, 2017 and 2018 respectively. Accordingly, the Historical Financial Information has been prepared on a going concern basis.

All new standards, amendments to existing standards and interpretations, which are mandatory for the financial year beginning 1 January 2018, are consistently applied to the Group throughout the Track Record Period.

(a) Application of IFRS 9 and IFRS 15

IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules of hedge accounting and a new impairment model for financial assets. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

IFRS 15, "Revenue from contracts with customers" replaces the previous revenue standards IAS18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The Group has applied IFRS 9 and IFRS 15 consistently throughout the Track Record Period.

(b) New standards and amendments to existing standards not yet adopted by the Group

The followings are the new standards and amendments to existing standards that are relevant to the Group, which have been published but are not yet effective for the Track Record Periods and which the Group has not early adopted:

		Effective for annual periods beginning on or after	*Note*
IAS 28 and IFRS 10 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	
IFRS 1 (Amendment)	Deletion of short-term exemptions for first-time adopters	1 January 2019	
IFRS 9 (Amendment)	Prepayment features with negative Compensation	1 January 2019	
IFRS 16	Leases	1 January 2019	(i)
IFRIC 23	Uncertainty over income tax treatments issued	1 January 2019	
IAS 28 (Amendment)	Long-term interest in associate or joint venture	1 January 2019	
IAS 19 (Amendment)	Plan amendment, curtailment or settlement	1 January 2019	
IFRS 3 (Amendment)	Definition of business	1 January 2020	
IAS 1 and IAS 8 (Amendment)	Definition of material	1 January 2020	
IFRS 17	Insurance contracts	1 January 2021	

The adoption of these new standards, amendments and interpretations is not expected to have significant impact on the Historical Financial Information of the Group, except for the following new standards:

(i) IFRS 16 "Leases"

IFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that almost all operating leases will be accounted for in the combined statements of financial position for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.19 with the Group's future operating lease commitments, which are not reflected in the combined statements of financial position.

The future minimum lease rentals payable under non-cancellable operating leases of the Group as at 31 December 2016, 2017 and 2018 are as follows:

	As at 31 December		
	2016	**2017**	**2018**
	S$	*S$*	*S$*
Within 1 year	62,732	205,938	1,170,417
After 1 year but within 5 years	23,044	298,801	1,066,724
	85,776	504,739	2,237,141

The Group will adopt IFRS 16 from its mandatory adoption date of 1 January 2019 using the simplified transition approach as prescribed by IFRS 16 and will recognise the cumulative effect of initial application to opening retained profits as of 1 January 2019 and the comparatives will not be restated. Upon adoption of IFRS 16, the Group will recognise a liability reflecting these future lease payments and right-of-use assets, except for the short-term leases of less than twelve months and leases of low-value assets that are exempted from applying this accounting model as a practical expedient. As of 31 December 2018, the Group has non-cancellable operating lease commitments of approximately S$2,237,000 which accounts for approximately 2.2% and 3.1% of the Group's total assets and liabilities respectively as at 31 December 2018. The Group expects that the adoption of IFRS 16 as compared with the current accounting policy would not result in significant impact on the Group's assets, liabilities, financial performance and cash flow classification.

2.2 Subsidiaries

Consolidation

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Non-controlling interests in the results and equity of subsidiaries shown separately in the combined statements of comprehensive income, combined statements of changes in equity, and combined statements of financial position respectively.

Intra-group transactions, balances, unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in Singapore dollar ("S$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currencies") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statements of comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive directors (the "Executive Directors"), who make strategic decisions.

2.5 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 charged to combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Office equipment	3 years
Motor vehicles	5–10 years
Renovation	Shorter of remaining lease term or 3 years
Computers and software	1–3 years
Furniture and fittings	3 years
Leasehold properties	25–27 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains — net" in the combined statements of comprehensive income.

2.6 Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss for an asset is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in the combined statements of comprehensive income.

2.7 Financial instruments

2.7.1 Classification

The Group is required to classify its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group only has financial assets that are measured at (i) fair value through profit or loss and (ii) amortised cost throughout the Track Record Period. The application of IFRS 9 does not have any significant impact on current and prior financial periods.

2.7.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of financial assets carried at fair value through profit or loss are expensed in the combined statements of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss of such financial assets is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the combined statements of comprehensive income when the asset is derecognised or impaired.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.9 Impairment of financial assets

The Group's financial assets measured at amortised cost are subject to IFRS 9's new expected credit loss model. The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(c) set out the details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of trade and finance lease receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the Specific Identification method and includes all costs in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Cash and cash equivalents

For the purpose of presentation in the combined statements of cash flows, cash and cash equivalents include cash in hand, deposits held with banks and bank overdrafts which are subject to an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities in the combined statements of financial position.

2.12 Combined capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the combined statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All borrowing costs are recognised in combined statements of comprehensive income in the period in which they are incurred.

2.15 Current and deferred income tax

The tax expense for the years comprises current and deferred tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined statements of financial position. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund ("CPF") in Singapore, on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to defined contribution plans are recognised in the reporting period to which they relate.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Provision for bonus plans

Bonus payments to employees are discretionary to management. Bonus payments are recognised in combined statements of comprehensive income in the period when the Group has formally announced the bonus payments to employees.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance expense.

The Group recognises an estimated liability that falls due under warranty terms offered on sales of certain new cars. The provision is calculated based on the past history of repairs.

2.18 Revenue from contract with customers

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. Depending on the terms of the contract and the laws that apply to the contract, revenue may be recognised over time or at a point in time. The Group recognises revenue when specific criteria have been met for each of the Group's activities as described below.

Revenue from sales of car spare parts/accessories and direct sales of motor vehicle are recognised upon transfer of control to customer which generally coincides with the time when car spare parts/accessories and motor vehicles are delivered and accepted by the customers. Payment of the transaction price is due immediately when the customer purchases the car spare parts/accessories and motor vehicle. Revenue excludes goods and services tax and motor vehicles registration fees and is arrived at after the deduction of trade discounts.

Revenue from sales of motor vehicle under finance lease arrangement and hire purchase arrangement are recognised upon transfer of control to customer which generally coincides with the time when the motor vehicles are delivered and accepted by the customers. The corresponding leased asset is recognised as finance lease receivable is recognised on the combined statements of financial position (Note 2.19(b)).

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and it should be presented separately. Incremental cost of obtaining a contract is capitalised if the Group expects to recover those costs, unless the amortisation period for such costs would be one year or less. Costs that will be incurred regardless of whether the

contract is obtained are expensed as they are incurred. Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Vehicle salesperson's commission is recognised at the same point in time with the recognition of the sales of the related motor vehicle.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Rental income from leasing of motor vehicles is recognised on a straight-line basis in accordance with the terms of the operating leases.

Interest income from finance lease arrangement is recognised on a time-proportion basis using the effective interest method.

Finance and insurance commission income is recognised upon the effective commencement date of the customers' qualifying loan and insurance policies.

Service income is recognised upon rendering of services.

A contract liability is the Group's obligation to render the goods or services to a customer for which the Group has received consideration from the customer.

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all the Group's contracts have a duration of 1 year or less.

The Group provides warranties for new motor vehicles. These warranties do not require services to be rendered but only an assurance that the motor vehicles meet agreed-upon specifications. These warranties are separately accounted for as disclosed in Note 2.17.

2.19 Leases

(a) When the Group is the lessee

Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in combined statements of comprehensive income on a straight-line basis over the period of the lease.

Contingent rent are recognised as an expense in the period in which they are incurred.

Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the combined statements of financial position as property, plant and equipment and finance lease liabilities respectively at the inception of the leases at the lower of the fair values of the leased assets and the present values of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liabilities. The finance expense is recognised in combined statements of comprehensive income and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liabilities.

(b) Where the Group is the lessor

Operating leases

Leases of leased assets where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in combined statements of comprehensive income on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in combined statements of comprehensive income over the lease term on the same basis as the lease income. Contingent rents are recognised as income in combined statements of comprehensive income when earned.

Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees are classified as finance leases. The Group will recognise an outright revenue (Note 2.18), arising from the leased assets, at a lower of the fair value or present value of the minimum lease payments computed at a market interest rate. The difference between the sale revenue and the cost of sale is the selling profit or loss.

The leased asset is derecognised and the present value of the lease receivable is recognised on the combined statements of financial position and included in finance lease receivables. The difference between the gross receivables and the present value of the lease receivables is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivables to reduce both the principal and the unearned finance income. The finance income is recognised in combined statements of comprehensive income on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

Initial direct costs incurred by the Group in negotiating and arranging finance leases is recognised in combined statements of comprehensive income in the financial period corresponding to the recognition of selling profit.

Finance lease receivables that are factored out to banks with recourse to the Group is not derecognised until the recourse period has expired and the risk and rewards of the finance lease receivables have been fully transferred. The corresponding cash received from the banks is recorded as block discounting financing that is classified under borrowings.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the combined financial information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the combined financial information are authorised for issue, are disclosed as a non-adjusting event and are not recognised as a liability at the end of the reporting period.

2.21 Government grants

Grants from the government are recognised as receivables at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the combined statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2.22 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivative instruments as those do not qualify for hedge accounting. Changes in fair value of the derivative financial instruments which do not qualify for hedge accounting as at end of reporting period are recognised immediately in the combined statements of comprehensive income.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from foreign currency transactions. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar, Euro, Sterling pound ("GBP") and Japanese Yen ("JPY") and Hong Kong dollar.

Should S$ be strengthened/weakened by 5% for the years ended 31 December 2016, 2017 and 2018 against those currencies, with all other variables held constant, the profit for the year and the equity for the years ended 31 December 2016, 2017 and 2018 would have been approximately S$51,000, S$97,000 and S$34,000 lower/higher respectively as a result of foreign exchange losses/gains.

The Group's exposure to other foreign exchange movements is not material.

(b) Interest rate risk

The Group's interest rate risk arises from bank deposits and borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Details of the Group's borrowings have been disclosed in Note 20 to the Historical Financial Information.

The Group's interest-bearing asset comprises of finance lease receivables, which are at fixed rates and subject to fair value interest rate risk. Details of the Group's finance lease receivables have been disclosed in Note 18 to the Historical Financial Information.

For each of the years ended 31 December 2016, 2017 and 2018, if interest rates on all variable rates bearing borrowings had been 100 basis-points higher/lower with all other variables held constant, profits for the years ended 31 December 2016, 2017 and 2018 would have decreased/increased by approximately S$3,000, S$3,000 and S$3,000 respectively.

(c) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalent, trade and other receivables, finance lease receivable and amount due from a related party. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

For banks and financial institutions, only independent parties with high credit rating are accepted. As at 31 December 2016, 2017 and 2018, all bank balances were held at reputable financial institutions with sound credit ratings.

For the trade and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of trade and other receivables based on historical settlement records and past experience.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties and finance lease receivables. The Group has no significant concentration of credit risk and the Group has policies in place to ensure that sales of motor vehicles and parts are made to corporate customers with an appropriate credit history and finance lease arrangement is entered with credit worthy customers.

The Group has credit policy to monitor the level of credit risk. In general, the credit record and credit period for each customer or debtor are regularly assessed, based on the customer's or debtor's financial condition, their capacity to obtain guarantee from third parties, their credit records and other factors such as current market condition. Management overall considers the shared credit risk characteristic and the days past due of the trade and other receivables to measure the expected credit loss. Management, considered among other factors (including forward looking information), analysed historical pattern and concluded that the expected credit loss for trade receivable due less than 1 year is close to zero and an expected credit loss rate of approximately 0% to 55% for trade receivable due after 1 year during the Track Record Period, the impact of the expected loss is assessed to be immaterial.

The Group will monitor debtors with long outstanding balances and will engage in enforcement activities to recover the receivables due. Where recoveries are made, these are recognised in combined statements of comprehensive income. The Group closely monitors trade receivables

balances more than one year. Those trade receivables, due more than one year, with financial difficulties, declining credit standing and poor historical payment pattern will be considered as default. The Group will write off these unrecovered receivables after all possible means of debt recovery activities.

For customers who purchased the motor vehicles under finance lease arrangement, the Group has policies in place to review their credit worthiness and charged a market interest rate based on their credit worthiness. Management monitors the scheduled instalment pattern and credit worthiness of the customers closely. In the event, the Group notices the deterioration of credit worthiness and default settlement of 2 months contractual instalments, the Group will repossess the vehicle up for sale. Management, considered among other factors, analysed historical pattern and concluded that the expected credit loss for finance lease receivables to be immaterial. While default cases range from 0% to 3% of the total finance lease receivables balances during the Track Record Period, the expected credit loss rate is close to zero given that the Group has historically recovered all amount owing via the proceeds from the sales of vehicle and other legal means.

For amount due from a related party, the Group applies either a 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition then impairment is measured as lifetime expected credit losses. Management, considered among other factors, analysed historical pattern and concluded that the expected credit losses for amount due from a related party to be immaterial as the credit risk is assessed as low.

In determining the 12-month or lifetime expected credit loss for these receivables, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical payment experience and the corresponding historical credit loss rates, and adjusted for forward-looking macroeconomic data such as Singapore GDP growth, unemployment rate, salary trend etc. In assessing whether the credit risk on these receivables have increased significantly since initial recognition, the Group compares the risk of a default occurring on these receivables as at the reporting date with the risk of a default occurring on these receivables as at the date of initial recognition. Management would re-assess these factors periodically for any deterioration or improvement indications to determine if credit risk from these receivables has increase or decrease significantly since initial recognition and revise the credit loss rate accordingly.

Financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about events including but not limited to significant financial difficulty of the borrower or a breach of contract, such as a default or past due event.

(d) Liquidity risk

The Group's policy is to maintain sufficient cash to meet its liquidity and working capital requirements.

The Group monitors and maintains a level of cash balances deemed adequate by the management to finance the Group operations and mitigate the effects of fluctuation of cash flows.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises cash and cash equivalents (Note 17), borrowings (Note 20) and undrawn borrowing facilities (Note 20) on the basis of expected cash flows. As the Group relies on borrowings as a source of liquidity, the management monitors regularly and closely the utilisation of borrowings (drawn and undrawn) and ensures compliance with loan covenants. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms.

The table below analyses cash outflow of non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Block discounting financing and finance lease liabilities which can be recalled on demand at the bank's sole discretion are presented within "Within 1 year", with the assumption that lenders invoked their unconditional rights to demand for immediate repayment except as at 31 December 2017 and 2018 the Group had received confirmation letters from its major bank confirming waiver of its rights to demand for immediate repayment of the block discounting financing granted to the Group for a period of 12 months from 31 December 2017 and 2018 (Note 2.1). The maturity analysis for other bank borrowings is prepared based on the contractual scheduled repayment dates. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Total
	S$	*S$*	*S$*	*S$*	*S$*
At 31 December 2016					
Borrowings	14,685,621	—	—	—	14,685,621
Block discounting financing	27,750,416	359,509	454,106	—	28,564,031
Finance lease liabilities	2,886,057	—	—	—	2,886,057
Trade and other payables	3,185,221	—	—	—	3,185,221
Amount due to a shareholder	3,174,584	—	—	—	3,174,584
Financial guarantee	15,460,000	—	—	—	15,460,000
	67,141,899	359,509	454,106	—	67,955,514

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Total
	S$	*S$*	*S$*	*S$*	*S$*
Group					
At 31 December 2017					
Borrowings	10,310,749	—	—	—	10,310,749
Block discounting financing	6,791,499	20,211,078	295,984	28,567	27,327,128
Finance lease liabilities	5,509,595	—	—	—	5,509,595
Trade and other payables	6,514,468	—	—	—	6,514,468
Amount due to a shareholder	3,026,452	—	—	—	3,026,452
Financial guarantee	15,070,000	—	—	—	15,070,000
	47,222,763	20,211,078	295,984	28,567	67,758,392
At 31 December 2018					
Borrowings	17,544,919	—	—	—	17,544,919
Block discounting financing	6,854,786	20,172,479	96,131	8,359	27,131,755
Finance lease liabilities	8,194,087	—	—	—	8,194,087
Trade and other payables	8,738,572	—	—	—	8,738,572
Amount due to a shareholder	131,000	—	—	—	131,000
	41,463,364	20,172,479	96,131	8,359	61,740,333

The table below analyses the block discounting financing and finance lease liabilities, with a repayment on demand clause, based on agreed schedule repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Total
	S$	*S$*	*S$*	*S$*	*S$*
At 31 December 2016					
Block discounting financing	6,912,086	7,065,136	13,853,323	3,330,570	31,161,115
Finance lease liabilities	997,204	671,354	1,307,030	108,284	3,083,872
	7,909,290	7,736,490	15,160,353	3,438,854	34,244,987

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Total
	S$	*S$*	*S$*	*S$*	*S$*
At 31 December 2017					
Block discounting financing	6,791,499	5,976,992	13,087,900	2,412,561	28,268,952
Finance lease liabilities	1,715,744	1,566,464	2,560,006	109,921	5,952,135
	8,507,243	7,543,456	15,647,906	2,522,482	34,221,087
At 31 December 2018					
Block discounting financing	6,854,786	5,918,894	13,034,959	2,215,475	28,024,114
Finance lease liabilities	2,564,917	2,303,127	3,977,976	32,214	8,878,234
	9,419,703	8,221,021	17,012,935	2,247,689	36,902,348

The table below analyses the Company's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year
	S$
At 31 December 2016	
Gross-settled currency forwards	
— Payments	(8,302,998)
— Receipts	7,936,085
	(366,913)

The Group did not hold any derivative financial instruments as at 31 December 2017 and 2018.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, comply with externally imposed capital requirements and maintain an optimal capital structure so as to maximise shareholder value. Management regards capital of the Group to comprise the total equity and net debt of the Group.

Vincar is required by its principal banker to maintain a tangible net worth (i.e. paid up capital plus retained earnings) of S$10,000,000 as at 31 December 2016, 2017 and 2018. Accordingly, the Group's strategy to capital management is to maintain its and its subsidiaries' equity within the stipulated requirements. As at 31 December 2016, 2017 and 2018, Vincar meets all the covenant required by its principal banker.

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

There were no changes to the Group's approach to capital management as at 31 December 2016, 2017 and 2018.

	As at 31 December		
	2016	**2017**	**2018**
	S$	*S$*	*S$*
Borrowings (Note 20)	45,897,415	41,494,392	51,336,384
Less: Cash and bank balances (Note 17)	(2,922,633)	(4,843,747)	(7,855,000)
Net debt	42,974,782	36,650,645	43,481,384
Total equity	13,012,031	20,302,127	27,731,799
Total capital	55,986,813	56,952,772	71,213,183
Gearing ratio	77%	64%	61%

3.3 Fair value estimation

The carrying values of the Group's financial assets and finance liabilities approximate to their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

The fair value of derivative financial instruments that are not traded in an active market (over-the-counter currency forwards) is determined using actively quoted forward exchange rates. These instruments are included as Level 2 of the fair value measurement hierarchy.

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016, 2017 and 2018 by levels of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3
	S$	*S$*	*S$*
As at 31 December 2016			
Liabilities			
— Currency forward contracts	—	366,913	—

The Group did not hold any currency forward contracts as at 31 December 2017 and 2018.

3.4 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements as at 31 December 2016, 2017 and 2018.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Net realisable value of inventories

Motor vehicles held as inventories for sale are valued periodically. Management determines the net realisable value of the motor vehicles by applying judgement and certain assumptions. Management evaluates, among other factors, the conditions of the motor vehicles, the prevailing Certificate of Entitlement quota and premium, past sales performance of the respective models and intended marketing strategies. Management will revise the carrying amounts to the realisable value when they are significantly different to those previously estimated.

The carrying amounts of inventories as at 31 December 2016, 2017 and 2018 are disclosed in the combined statements of financial position.

(b) Provision for trade receivables and finance lease receivables

Management reviews its receivables for objective evidence of impairment on a monthly basis. The provision policy for trade receivables and finance lease receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in calculating the expected credit losses of these receivables, including the current creditworthiness and the past collection of each customer and adjusted for forward looking macroeconomic data. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional provision may be required.

The carrying amounts of trade and other receivables and finance lease receivables are disclosed in Notes 15 and 18 respectively.

(c) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for those motor vehicles used for short term operating leases based on the Group's intention to derive the future economic benefits from the expected level of usage of those motor vehicles over short term operating leases arrangement. Management will increase the depreciation expense where useful lives are materially less than previously estimated useful lives. Actual useful lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expenses in the future periods.

If the useful lives of those vehicles used for short term operating leases were to reduce by 50%, the depreciation expenses for the years ended 31 December 2016, 2017 and 2018 shall increase by approximately S$671,000, S$763,000 and S$1,016,000 respectively.

5 Revenue and segment information

The Executive Directors of the Company, who are the CODM 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.

Revenue, which is also the Group's turnover, represents amounts received and receivable from the operation of the Listing Business in Singapore. An analysis of revenue is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	S$	*S$*	*S$*
Sales of motor vehicles*	137,915,625	196,989,819	176,193,645
Motor vehicles related services			
— Finance commission income	2,708,374	3,986,606	3,811,882
Insurance commission income	433,902	370,274	417,828
Sales of spare parts and accessories	85,594	61,038	122,906
Revenue from contracts with customers under IFRS 15 recognised at point in time	141,143,495	201,407,737	180,546,261
Motor vehicles financing related services			
— Interest income from finance lease arrangements	1,918,205	2,017,039	2,077,311
Rental income from operating lease of motor vehicles	1,313,522	1,473,729	2,369,761
Revenue from operating and finance lease arrangement under IAS 17	3,231,727	3,490,768	4,447,072
	144,375,222	204,898,505	184,993,333

* Include direct sales of motor vehicles and sales of motor vehicles under finance lease arrangements.

The Group has revenue related contract liabilities (receipt in advance from customer) as at the end of each of the year as disclosed in Note 19. Receipt in advance from customers as at the end of each of the year will be recognised as revenue in the next year of sales.

Segment revenue and results

	Sales of motor vehicles and provision of related services	Rental income from operating leases of motor vehicles	Sales of spare parts and accessories	Combined
	S$	*S$*	*S$*	*S$*
For the year ended 31 December 2016				
Segment revenue				
Total sales	139,098,233	1,313,522	179,121	140,590,876
Inter-segment sales	(1,182,608)	—	(93,527)	(1,276,135)
External sales	137,915,625	1,313,522	85,594	139,314,741
Finance commission income	2,708,374	—	—	2,708,374
Insurance commission income	433,902	—	—	433,902
Interest income from finance lease arrangement	1,918,205	—	—	1,918,205
	142,976,106	1,313,522	85,594	144,375,222
Segment profit/(loss)	6,585,038	244,343	(21,373)	6,808,008
Finance expenses	1,283,080	107,855	—	1,390,935
Depreciation of property, plant and equipment	213,031	615,855	—	828,886
Provision for inventories write-down	10,653	—	—	10,653
For the year ended 31 December 2017				
Segment revenue				
Total sales	203,329,973	1,473,729	145,148	204,948,850
Inter-segment sales	(6,340,154)	—	(84,110)	(6,424,264)
External sales	196,989,819	1,473,729	61,038	198,524,586
Finance commission income	3,986,606	—	—	3,986,606
Insurance commission income	370,274	—	—	370,274
Interest income from finance lease arrangement	2,017,039	—	—	2,017,039
	203,363,738	1,473,729	61,038	204,898,505
Segment profit	10,761,676	414,787	27,835	11,204,298
Finance expenses	1,367,506	165,829	—	1,533,335
Depreciation of property, plant and equipment	319,283	695,648	—	1,014,931
Reversal of provision for inventories write-down	(296,471)	—	—	(296,471)

	Sales of motor vehicles and provision of related services	Rental income from operating leases of motor vehicles	Sales of spare parts and accessories	Combined
	S$	*S$*	*S$*	*S$*
For the year ended 31 December 2018				
Segment revenue				
Total sales	180,763,423	2,390,941	137,137	183,291,501
Inter-segment sales	(4,569,778)	(21,180)	(14,231)	(4,605,189)
External sales	176,193,645	2,369,761	122,906	178,686,312
Finance commission income	3,811,882	—	—	3,811,882
Insurance commission income	417,828	—	—	417,828
Interest income from finance lease arrangement	2,077,311	—	—	2,077,311
	182,500,666	2,369,761	122,906	184,993,333
Segment profit	9,833,764	909,336	8,036	10,751,136
Finance expenses	1,388,413	288,501	—	1,676,914
Depreciation of property, plant and equipment	749,815	938,418	—	1,688,233
Reversal of provision for inventories write-down	(360,190)	—	—	(360,190)

Inter-segment transactions are conducted at terms mutually agreed among group companies.

Segment assets exclude deferred income tax assets and segment liabilities exclude income tax liabilities. Capital expenditure comprises additions to property, plant and equipment.

Segment assets and liabilities

	Sales of motor vehicles and provision of related services	Rental income from operating leases of motor vehicles	Sales of spare parts and accessories	Unallocated	Combined
	S$	*S$*	*S$*	*S$*	*S$*
As at 31 December 2016					
Segment assets	68,735,590	3,784,618	141,699	118,153	72,780,060
Segment liabilities	54,477,502	3,697,349	63,071	1,530,107	59,768,029
Capital expenditure	254,655	1,685,599	—	—	1,940,254
As at 31 December 2017					
Segment assets	71,958,953	8,126,876	110,790	215,805	80,412,424
Segment liabilities	52,122,752	5,336,232	4,328	2,646,985	60,110,297
Capital expenditure	583,824	5,278,184	—	—	5,862,008
As at 31 December 2018					
Segment assets	88,513,530	11,714,797	102,015	131,094	100,461,436
Segment liabilities	62,321,924	8,401,580	3,286	2,002,847	72,729,637
Capital expenditure	1,626,355	4,420,369	—	—	6,046,724

Geographical information

Over 95% of revenue of the Group were generated from external customers located in Singapore and 100% of the assets of the Group were located in Singapore. Accordingly, no geographical segment analysis is presented.

Major customers

None of single external customer accounted for more than 10% of the Group's revenue during the Track Record Period.

6 Other income and gains, net

(a) Other income

	Year ended 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Service income	2,804	41,127	6,355
Government grants	124,080	87,893	109,235
Income from deposit forfeiture	33,482	60,055	9,006
Handling fee income	91,366	30,480	130,749
Sales of workshop accessories	48,837	90,758	41,508
Technical consultancy fee	44,209	47,496	6,389
Freight charges	1,176	64,299	63,896
Others	53,376	99,305	96,340
	399,330	521,413	463,478

Government grant mainly arose from Wage Credit Scheme (WCS) and Special Employment Credit Scheme (SECS) of the Singapore government.

WCS was introduced by the Singapore government to help businesses which may face rising wage cost in a tight labour market. WCS payouts will allow businesses to free up resources to make investments in productivity and to share the productivity gains with their employees. WCS will be ended on 31 December 2020.

SECS was introduced by the Singapore government to support employers as well as to raise employability of older low-wage Singaporeans. SECS will be ended on 31 December 2019.

(b) Other (losses)/gains — net

	Year ended 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Foreign exchange (losses)/gains	(258,228)	116,294	121,015
Fair value loss on foreign exchange forward contracts	(366,913)	—	—
Gain/(loss) on disposal of property, plant and equipment (Note 24)	63,865	61,449	(6,757)
	(561,276)	177,743	114,258

7 Finance income and finance expenses

	Year ended 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Bank overdrafts interest	4,695	3,630	11,105
Interest expenses on bank loans	373,253	416,108	467,537
Interest expenses on block discounting financing	804,241	895,072	879,123
Interest expenses on finance leases	208,746	218,525	319,149
	1,390,935	1,533,335	1,676,914
Interest income on late payment	253,841	124,217	266

Interest income on late payment relates to interest imposed on a customer for late payment of its overdue balances.

8 Expenses by nature

Expenses included in cost of sales, selling and distribution, and general and administrative expenses are analysed as follows:

	Year ended 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Purchases and related costs	136,114,102	176,600,473	172,109,481
Changes in inventories	(7,517,689)	5,843,081	(9,728,382)
Provision/(reversal of provision) for inventories write-down (Note 14)	10,653	(296,471)	(360,190)
Auditor's remunerations*			
— current year	56,300	50,000	50,000
— under-provision in prior years	—	—	31,750
Depreciation expense (Note 13)	828,886	1,014,931	1,688,233
Employee benefit expense (Note 9)	5,007,521	5,890,140	6,071,078
Rental expenses	545,526	536,688	1,407,919
Advertising and marketing expenses	570,973	413,631	405,117
Sales commission to external parties	491,085	674,071	302,584
Travelling and entertainment expenses	242,585	277,556	157,136
Pre-delivery inspection expenses	143,878	364,682	530,136
Listing expenses	—	1,939,187	1,016,035
Legal and professional fees	52,333	227,376	191,994
Bank charges	160,515	324,991	376,981
Forfeiture of trade deposit paid	140,689	84,155	19,574
Insurance	72,784	81,622	152,376
Office expenses	166,978	235,243	293,770
Donations	10,089	477	27,756
Other operating expenses	308,060	131,530	76,585
	137,405,268	194,393,363	174,819,933

* The amounts wholly relate to audit service.

	Year ended 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Representing:			
Cost of sales	129,222,921	182,842,731	162,959,327
Selling and distribution expenses	3,556,345	4,289,204	3,885,268
General and administrative expenses	4,626,002	7,261,428	7,975,338
	137,405,268	194,393,363	174,819,933

9 Employee benefit expense (including directors' emoluments)

	Year ended 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Wages and salaries	4,239,825	4,976,818	5,013,267
Employer's contribution to defined contribution plans	432,520	517,937	586,250
Other staff benefits	335,176	395,385	471,561
	5,007,521	5,890,140	6,071,078

Directors' emoluments

The remuneration of the directors for each of the years ended 31 December 2016, 2017 and 2018 were as follows:

	Salaries and allowances	Bonuses	Employer's contribution to Central Provident Fund	Total
	S$	*S$*	*S$*	*S$*
Year ended 31 December 2016				
Executive directors				
Mr. Tan Shuay Tarng Vincent	555,000	—	11,730	566,730
Mr. Khung Poh Sun	79,545	18,000	8,591	106,136
Ms. Ng Hui Bin Audrey	83,373	18,900	16,622	118,895
	717,918	36,900	36,943	791,761
Year ended 31 December 2017				
Executive directors				
Mr. Tan Shuay Tarng Vincent	410,000	—	11,900	421,900
Mr. Khung Poh Sun	85,693	24,720	7,325	117,738
Ms. Ng Hui Bin Audrey	93,318	25,200	15,453	133,971
	589,011	49,920	34,678	673,609

	Salaries and allowances	Bonuses	Employer's contribution to Central Provident Fund	Total
	S$	*S$*	*S$*	*S$*
Year ended 31 December 2018				
Executive directors				
Mr. Tan Shuay Tarng Vincent	480,000	—	11,280	491,280
Mr. Khung Poh Sun	79,466	24,720	7,563	111,749
Ms. Ng Hui Bin Audrey	87,661	25,200	17,341	130,202
	647,127	49,920	36,184	733,231

Mr. Tan Shuay Tarng Vincent and Mr. Khung Poh Sun were appointed as the Company's directors on 4 July 2017 and Ms. Ng Hui Bin was appointed as the Company's director on 25 September 2017. They were all redesignated as Executive Directors on 12 January 2018.

Mr. Raymond Wong was appointed as the Company's director on 25 September 2017 and was redesignated as a non-executive director on 12 January 2018. During the Track Record Period, the non-executive director had not received any remuneration.

Mr. Chow Wing Tung, Mr. Hui Yan Kit and Mr. Tam Yat Kin Ken were appointed as the Company's independent non-executive directors on 1 February 2019. During the Track Record Period, the independent non-executive directors had not been appointed and had not received any remuneration.

(a) Director's retirement benefits

During the Track Record Period, the directors did not receive or will not receive any retirement benefits in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the Track Record Period.

(b) Director's termination benefits

The directors did not receive or will not receive any termination benefits during the Track Record Period.

(c) Consideration provided to third parties for making available director's services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

There are no loans, quasi-loans and other dealing arrangements in favour of directors, corporate bodies controlled by and entities connected with such directors during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contracts

Except as disclosed in Note 23, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director for the Track Record Period, whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining four individuals for the Track Record Period are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	S$	*S$*	*S$*
Wages, salaries and allowances	813,272	684,367	649,553
Employer's contribution to defined contribution plans	42,732	52,035	53,702
	856,004	736,402	703,255

The emoluments of the highest paid individuals fell within the following bands:

	Number of individuals		
	Year ended 31 December		
	2016	**2017**	**2018**
Emolument band			
Nil — HK$1,000,000	2	—	1
HK$1,000,001 — HK$1,500,000	1	3	3
HK$2,000,001 — HK$2,500,000	1	1	—
	4	4	4

10 Income taxes

(a) Income tax expenses

Singapore statutory income tax has been provided at the rate of 17% on the estimated assessable profit during the Track Record Period.

The amounts of income tax expenses charged to the combined statements of comprehensive income represent:

	Year ended 31 December		
	2016	**2017**	**2018**
	S$	*S$*	*S$*
Singapore profits tax			
Current income tax	1,071,886	1,890,841	1,560,105
Under-provision in prior years	—	5,602	—
Deferred income tax (Note 10(c))	(37,258)	(97,652)	84,711
Total tax expenses for the years	1,034,628	1,798,791	1,644,816

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Singapore as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	S$	*S$*	*S$*
Profit before income tax	5,670,914	9,795,180	9,074,488
Tax at the statutory tax rate of 17%	964,055	1,665,181	1,542,663
Tax incentives	(64,860)	(214,116)	(81,100)
Adjustment in respect of current tax of previous years	—	5,602	—
Income not subject to tax	—	(12,158)	—
Expenses not deductible for tax	144,524	372,221	214,729
Tax rebate	(30,643)	(17,960)	(10,000)
Others	21,552	21	(21,476)
Income tax expenses	1,034,628	1,798,791	1,644,816

(b) Movement in current income tax liabilities

	Year ended 31 December		
	2016	**2017**	**2018**
	S$	*S$*	*S$*
Beginning of financial year	1,038,394	1,530,107	2,646,985
Income tax paid	(580,173)	(779,565)	(2,204,243)
Income tax expense	1,071,886	1,890,841	1,560,105
Under-provision in prior years	—	5,602	—
End of financial year	1,530,107	2,646,985	2,002,847

(c) Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December		
	2016	**2017**	**2018**
	S$	*S$*	*S$*
Deferred income tax assets			
— To be recovered within 12 months	78,348	109,153	36,721
— To be recovered after more than 12 months	39,805	106,652	94,373
	118,153	215,805	131,094

The movement in deferred income tax assets and liabilities (after offsetting of balances) is as follows:

Deferred tax assets/(liabilities)

	Unrealised profit	Accelerated tax depreciation	Provisions	Total
	S$	*S$*	*S$*	*S$*
At 1 January 2016	29,774	(17,761)	68,882	80,895
Credited to profit or loss (Note 10(a))	10,031	7,305	19,922	37,258
At 31 December 2016	39,805	(10,456)	88,804	118,153
Credited/(charged) to profit or loss (Note 10(a))	64,452	(33,743)	66,943	97,652
At 31 December 2017	104,257	(44,199)	155,747	215,805
Charged to profit or loss (Note 10(a))	(13,547)	(50,174)	(20,990)	(84,711)
At 31 December 2018	90,710	(94,373)	134,757	131,094

11 Dividends

The Company has neither declared nor paid any dividends since its incorporation.

Vincar Pte. Ltd., an operating subsidiary of the Company, declared a dividend of S$5,500,000 (S$5.50 per share), S$3,000,000 (S$3.00 per share) and S$Nil for the years ended 31 December 2016, 2017 and 2018 respectively prior to the Reorganisation. The dividend payable was recorded in the balance with the shareholder as disclosed in Note 24(b).

12 Basic and diluted earnings per share for profit attributable to equity holders of the Company

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Track Record Period on a combined basis as set out in Note 1.3.

13 Property, plant and equipment

	Office equipment	Motor vehicles	Renovation	Computers and software	Leasehold properties	Furniture and fittings	Total
	S$	*S$*	*S$*	*S$*	*S$*	*S$*	*S$*
At 1 January 2016							
Cost	115,807	4,154,203	784,736	132,871	3,687,900	245,583	9,121,100
Accumulated depreciation	(109,681)	(451,834)	(784,319)	(132,871)	(891,525)	(244,216)	(2,614,446)
Net book amount	6,126	3,702,369	417	—	2,796,375	1,367	6,506,654
Year ended 31 December 2016							
Opening net book amount	6,126	3,702,369	417	—	2,796,375	1,367	6,506,654
Additions	18,102	1,894,909	2,816	24,427	—	—	1,940,254
Disposals	—	(573,896)	—	—	—	—	(573,896)
Depreciation (Note 8)	(9,378)	(670,888)	(1,355)	(24,427)	(121,691)	(1,147)	(828,886)
Closing net book amount	14,850	4,352,494	1,878	—	2,674,684	220	7,044,126
At 31 December 2016							
Cost	133,909	5,313,607	787,552	157,298	3,687,900	245,583	10,325,849
Accumulated depreciation	(119,059)	(961,113)	(785,674)	(157,298)	(1,013,216)	(245,363)	(3,281,723)
Net book amount	14,850	4,352,494	1,878	—	2,674,684	220	7,044,126
Year ended 31 December 2017							
Opening net book amount	14,850	4,352,494	1,878	—	2,674,684	220	7,044,126
Additions	14,430	5,614,853	—	228,105	—	4,620	5,862,008
Disposals	—	(1,095,853)	—	—	—	—	(1,095,853)
Depreciation (Note 8)	(9,218)	(762,556)	(939)	(66,013)	(174,793)	(1,412)	(1,014,931)
Closing net book amount	20,062	8,108,938	939	162,092	2,499,891	3,428	10,795,350
At 31 December 2017							
Cost	148,339	9,347,479	787,552	385,404	3,687,900	250,203	14,606,877
Accumulated depreciation	(128,277)	(1,238,541)	(786,613)	(223,312)	(1,188,009)	(246,775)	(3,811,527)
Net book amount	20,062	8,108,938	939	162,092	2,499,891	3,428	10,795,350
Year ended 31 December 2018							
Opening net book amount	20,062	8,108,938	939	162,092	2,499,891	3,428	10,795,350
Additions	180,811	4,412,534	1,241,593	33,497	—	178,289	6,046,724
Disposals	—	(501,583)	(938)	—	—	—	(502,521)
Depreciation (Note 8)	(41,473)	(1,016,491)	(312,324)	(128,995)	(139,201)	(49,749)	(1,688,233)
Closing net book amount	159,400	11,003,398	929,270	66,594	2,360,690	131,968	14,651,320
At 31 December 2018							
Cost	308,073	12,859,997	1,360,032	341,219	3,687,900	415,775	18,972,996
Accumulated depreciation	(148,673)	(1,856,599)	(430,762)	(274,625)	(1,327,210)	(283,807)	(4,321,676)
Net book amount	159,400	11,003,398	929,270	66,594	2,360,690	131,968	14,651,320

Depreciation expenses were charged to the following categories in the combined statements of comprehensive income:

	Year ended 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Cost of sales	615,855	695,648	952,700
General and administrative expenses	213,031	319,283	735,533
	828,886	1,014,931	1,688,233

As at 31 December 2016, 2017 and 2018, the carrying amount of motor vehicles amounting to S$4,190,583, S$6,099,136 and S$9,303,586 respectively were held under finance leases (Note 20(f)). The Group leases various motor vehicles from non-related parties under non-cancellable finance lease agreements. The lease terms range from 2 to 4 years and ownership of the assets lie within the Group at the end of the lease term.

As at 31 December 2016, 2017 and 2018, certain borrowings (Notes 20(a) and (b)) were secured by leasehold properties.

14 Inventories

These comprise mainly motor vehicles and they are pledged to secure floor inventory advances extended to the Group. Floor inventory advances are short-term, revolving credit lines. The Group enters into such arrangements with banks from time to time to pledge unsold motor vehicles inventories to the banks for obtaining floor inventory advances (Note 20 (c)). As at 31 December 2016, 2017 and 2018, the carrying amount of motor vehicles amounting to S$22,962,322, S$17,069,026 and S$27,500,143 respectively were pledged for the floor inventory advances.

The cost of inventories recognised as expense and included in "cost of sales" amounted to S$61,909,190, S$142,272,733, and S$116,012,590 for the years ended 31 December 2016, 2017 and 2018 respectively, which included inventory write-down/(reversal) as disclosed in Note 8.

Reversal of provision for inventory write-down as disclosed in Note 8 was mainly contributed by subsequent increase in market selling price of previously written-down inventories.

15 Trade and other receivables

	As at 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Non-current			
Prepayment for renovation	—	860,553	—
Current			
Trade receivables			
— Third parties	2,922,341	6,804,842	5,232,707
— A related party	15,442	—	—
	2,937,783	6,804,842	5,232,707
Less: Allowance for impairment of receivables — third parties	(15,766)	(15,766)	—
Trade receivables — net	2,922,017	6,789,076	5,232,707
Prepayments	6,467,481	11,357,435	17,343,643
Other receivables	647,981	875,289	567,050
	10,037,479	19,021,800	23,143,400
Total	10,037,479	19,882,353	23,143,400

Trade receivables mainly include outstanding balances from customers arising from sales of motor vehicles and sales of spare parts and accessories. For the sales of motor vehicles, all customers are generally required to make payment at the point of transaction and no credit period is granted to these customers. The Group may, however, at times grant credit period to certain customers based on (i) size of order; (ii) the Group's relationship with the customers; and (iii) the Group's assessment of the reputation and credit worthiness of the customers and may impose interest on overdue balances.

The trade receivable due from a related party relates to the sales of motor vehicle spare parts and accessories to Automotive Fleet Management Pte. Ltd. (Note 23).

Prepayments mainly include advances to various suppliers for purchase of inventory, prepayment for purchase of Certificates of Entitlement and prepayment for listing expenses.

As at 31 December 2016, 2017 and 2018, the ageing analysis of the trade receivables based on invoice date are as follows:

	As at 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Up to 3 months	1,252,271	6,667,539	5,040,466
3 to 4 months	319,123	22,329	10,843
4 months to 1 year	962,594	83,766	122,491
More than 1 year	388,029	15,442	58,907
	2,922,017	6,789,076	5,232,707

As at 31 December 2016, 2017 and 2018, except for those corporate customers with financial difficulties, all the remaining trade receivables balances were past due but not impaired. These remaining trade receivables balances relate to individual and corporate customers and motor vehicle dealers for whom there is no recent history of default.

Movements in the provision for impairment of third parties receivables are as follows:

	As at 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Beginning of financial year	—	15,766	15,766
Provision for impairment of receivables recognised during the year	40,214	—	—
Receivables written off as uncollectible	(24,448)	—	(15,766)
End of financial year	15,766	15,766	—

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Singapore dollar	9,031,116	19,882,353	22,954,173
Sterling pound	841,259	—	176,660
Japanese Yen	24,781	—	10,581
United States dollar	140,323	—	61
Australian Dollar	—	—	1,925
	10,037,479	19,882,353	23,143,400

16 Amounts due from/(to) a shareholder and a related party

(a) Group

Amounts due from/(to) a shareholder (Mr. Vincent Tan) and a related party (Vincar Assets Pte. Ltd. (formerly known as Vincar Leasing Pte. Ltd.)) were non-trade related, unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due from/(to) a shareholder and a related party approximate their fair values and are denominated in Singapore dollar.

The maximum outstanding balances due from a related party during the Track Record Period are as follows:

	As at 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Amount due from a related party	15,477	21,898	21,992

(b) Company

As at 31 December 2017 and 2018, amount due from a shareholder is denominated in Singapore dollar, non-trade related, unsecured, interest-free and repayable on demand.

17 Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Singapore dollar	2,669,771	2,499,174	7,227,064
Hong Kong dollar	—	998,324	1,846
United States dollar	87,885	1,149,764	14,115
Sterling pound	91,779	139,134	7,752
Japanese Yen	71,190	57,277	604,151
Euro	2,008	74	72
	2,922,633	4,843,747	7,855,000

18 Finance lease receivables

The Group sells motor vehicles to third parties under finance leases and hire purchase arrangements. The weighted-average effective interest rate of the finance lease receivables as at 31 December 2016, 2017 and 2018 is 6.03%, 6.08% and 6.37% per annum, respectively.

At 31 December 2016, 2017 and 2018, the Group has receivables under finance lease and hire purchase arrangements as follows:

	Gross receivable	Unearned finance income	Net investment in finance lease receivables
	S$	*S$*	*S$*
As at 31 December 2016			
Within 1 year	7,686,637	1,630,427	6,056,210
After 1 year but within 5 years	22,841,537	3,054,511	19,787,026
After 5 years	4,003,033	178,288	3,824,745
	34,531,207	4,863,226	29,667,981
As at 31 December 2017			
Within 1 year	7,229,676	1,647,867	5,581,809
After 1 year but within 5 years	21,503,776	2,902,833	18,600,943
After 5 years	3,181,618	138,700	3,042,918
	31,915,070	4,689,400	27,225,670
As at 31 December 2018			
Within 1 year	7,615,463	1,557,207	6,058,256
After 1 year but within 5 years	20,996,897	2,744,655	18,252,242
After 5 years	2,953,719	121,760	2,831,959
	31,566,079	4,423,622	27,142,457

As at 31 December 2016, 2017 and 2018, block discounting financing (Note 20(e)) were secured by finance lease receivables.

19 Trade and other payables and provision for warranty

	As at 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Trade payables (Note a)	1,941,076	2,485,786	5,503,491
Other payables	314,975	897,844	226,194
Receipt in advance from customers	5,446,316	6,296,854	10,250,774
Accrued operating expenses	929,170	3,130,838	3,008,887
Provision for warranty (Note b)	167,473	131,146	270,060
	8,799,010	12,942,468	19,259,406

(a) Trade payables

An ageing analysis of the trade payables as at 31 December 2016, 2017 and 2018, based on the invoice date, is as follows:

	As at 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
1 to 30 days	1,325,790	2,130,942	4,835,973
31 to 120 days	465	311,875	482,247
121 to 365 days	608,373	28,825	17,452
More than 365 days	6,448	14,144	167,819
	1,941,076	2,485,786	5,503,491

Trade payables are unsecured and non-interest bearing. These trade payables do not have any credit terms in general, however, the Group is able to negotiate to extend the repayment period with the suppliers based on mutual agreement.

(b) Provision for warranty

Movement in provision for warranty is as follows:

	As at 31 December		
	2016	**2017**	**2018**
	S$	*S$*	*S$*
Beginning of financial year	169,645	167,473	131,146
Provision for the year	157,656	278,895	262,654
Provision utilised	(159,828)	(315,222)	(123,740)
End of financial year	167,473	131,146	270,060

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at 31 December		
	2016	**2017**	**2018**
	S$	*S$*	*S$*
Singapore dollar	8,779,341	12,923,403	19,253,404
United States dollar	—	19,065	—
Sterling pound	9,041	—	—
Euro	10,628	—	—
Japanese yen	—	—	6,002
	8,799,010	12,942,468	19,259,406

The carrying amounts of the trade and other payables approximate to their fair values.

20 Borrowings

	As at 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Non-current			
Block discounting financing (Note e)	770,958	19,884,728	19,701,597
Current			
Bank borrowings — Mortgage (Note a)	106,309	—	—
Short-term bank loans (Note b)	1,500,000	1,000,000	—
Floor inventory advances (Note c)	2,548,824	291,133	4,306,630
Trust receipts (Note d)	10,334,851	7,199,885	12,472,150
Block discounting financing (Note e)	27,750,416	5,928,028	5,885,780
Finance lease liabilities (Note f)	2,886,057	5,509,595	8,194,087
Bank overdrafts (Note g)	—	1,681,023	776,140
	45,126,457	21,609,664	31,634,787
	45,897,415	41,494,392	51,336,384

Notes:

(a) Bank borrowings were secured by a mortgage over the Group's leasehold properties (Note 13) and personal guarantee by the executive director of the Group, Mr. Vincent Tan.

(b) As at 31 December 2016, 2017 and 2018, short-term bank loans comprised money market loan of S$500,000, S$500,000 and S$Nil and revolving credit facility loan of S$1,000,000, S$1,000,000 and S$Nil, respectively. These loans were secured by mortgage over the Group's leasehold properties (Note 13) and personal guarantee by the executive director, Mr. Vincent Tan.

(c) Floor inventory advances were secured by certain inventories (Note 14) and personal guarantee by the executive director of the Group, Mr. Vincent Tan.

(d) Trust receipts financing were secured by personal guarantee by the executive director of the Group, Mr. Vincent Tan.

(e) Block discounting financing were secured by finance lease receivables (Note 18) and personal guarantee by the executive director of the Group, Mr. Vincent Tan. Although, the Group was contractually required to make periodic instalments over several years, the Group presented certain block discounting financing as current given that these arrangements contains repayable on demand clauses (Note 2.1) as at 31 December 2016. One of the Operating Companies, Vincar, had received confirmation letters from its major bank confirming that it waived its rights to demand for immediate repayment of the block discounting financing granted to Vincar for a period of 12 months from 31 December 2017 and 2018. Therefore, the Group classified certain portion of the block discounting as at 31 December 2017 and 2018 as non-current.

(f) Finance lease liabilities were secured by motor vehicles (Note 13) and personal guarantee by the executive director of the Group, Mr. Vincent Tan. Included in finance lease liabilities, S$2,730,388, S$4,845,465 and S$7,645,458 as at 31 December 2016, 2017 and 2018, were also secured by corporate guarantee of Vincar. Although, the Group was contractually required to make periodic instalments over several years, the Group presented certain finance lease liabilities as current given that these arrangements contained repayable on demand clauses.

(g) Bank overdrafts are solely denominated in Singapore dollar. The bank overdrafts are secured by personal guarantee by the executive director of the Group, Mr. Vincent Tan.

The average effective interest rate per annum as at 31 December 2016, 2017 and 2018 were set out as follows:

	As at 31 December		
	2016	**2017**	**2018**
	%	%	%
Bank borrowings — Mortgage	2.4	—	—
Short term bank loans	3.7	3.7	—
Floor inventory advances	4.5	4.5	4.5
Trust receipts	2.8	3.0	3.8
Block discounting financing	2.8	3.6	3.6
Finance lease liabilities	3.4	3.6	3.8
Bank overdrafts	—	5.0	5.0

The Group had obligations under finance leases that are repayable as follows:

	Amount payable	**Deferred interest**	**Present value**
	S$	*S$*	*S$*
As at 31 December 2016			
Within 1 year	997,204	83,291	913,913
1 to 2 years	671,354	70,758	600,596
2 to 5 years	1,307,030	42,378	1,264,652
After 5 years	108,284	1,388	106,896
	3,083,872	197,815	2,886,057
As at 31 December 2017			
Within 1 year	1,715,744	184,172	1,531,572
1 to 2 years	1,566,464	126,552	1,439,912
2 to 5 years	2,560,006	127,847	2,432,159
After 5 years	109,921	3,969	105,952
	5,952,135	442,540	5,509,595

	Amount payable	Deferred interest	Present value
	S$	*S$*	*S$*
As at 31 December 2018			
Within 1 year	2,564,917	284,733	2,280,184
1 to 2 years	2,303,127	195,021	2,108,106
2 to 5 years	3,977,976	204,101	3,773,875
After 5 years	32,214	292	31,922
	8,878,234	684,147	8,194,087

Detailed below are the expected contractual undiscounted cash outflows of borrowings, including interest payments and excluding the impact of netting agreements:

		Undiscounted cash flows				
	Carrying amount	Total	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years
	S$	*S$*	*S$*	*S$*	*S$*	*S$*
As at 31 December 2016						
Floor inventory advances	2,548,824	2,574,604	2,574,604	—	—	—
Trust receipts	10,334,851	10,492,408	10,492,408	—	—	—
Block discounting financing	28,521,374	28,564,031	27,750,416	359,509	454,106	—
Finance lease liabilities	2,886,057	2,886,057	2,886,057	—	—	—
Bank borrowings — mortgage	1,606,309	1,618,609	1,618,609	—	—	—
As at 31 December 2016	45,897,415	46,135,709	45,322,094	359,509	454,106	—
As at 31 December 2017						
Bank overdrafts	1,681,023	1,765,074	1,765,074	—	—	—
Floor inventory advances	291,133	293,287	293,287	—	—	—
Trust receipts	7,199,885	7,246,306	7,246,306	—	—	—
Block discounting financing	25,812,756	27,327,128	6,791,499	20,211,078	295,984	28,567
Finance lease liabilities	5,509,595	5,509,595	5,509,595	—	—	—
Bank borrowings — mortgage	1,000,000	1,006,082	1,006,082	—	—	—
As at 31 December 2017	41,494,392	43,147,472	22,611,843	20,211,078	295,984	28,567

	Undiscounted cash flows					
	Carrying amount	Total	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years
	S$	*S$*	*S$*	*S$*	*S$*	*S$*
As at 31 December 2018						
Bank overdrafts	776,140	814,947	814,947	—	—	—
Floor inventory advances	4,306,630	4,347,793	4,347,793	—	—	—
Trust receipts	12,472,150	12,594,894	12,594,894	—	—	—
Block discounting financing	25,587,377	27,131,755	6,854,786	20,172,479	96,131	8,359
Finance lease liabilities	8,194,087	8,194,087	8,194,087	—	—	—
As at 31 December 2018	51,336,384	52,880,762	32,603,793	20,172,479	96,131	8,359

The carrying amounts of the Group's borrowings are denominated in S$ and approximate to their fair values.

As at 31 December 2016, 2017 and 2018, the Group has unutilised committed banking facilities of approximately S$841,621, S$6,205,680 and S$6,389,065 respectively.

21 Derivative financial instruments

Derivative financial instruments comprise currency forward contracts used to manage the exposure from purchases of inventories in foreign currencies. The contracted notional principal amounts of the derivative outstanding as at 31 December 2016 were JPY527,879,976 and GBP1,000,000. The Group did not hold any derivative financial instruments as at 31 December 2017 and 2018.

22 Combined capital and retained earnings

(a) Group

The Reorganisation has not been completed as at 31 December 2018. As mentioned in Note 1.3, the Historical Financial Information has been prepared as if the Group structure after the Reorganisation had been in existence throughout the Track Record Period. Combined capital and retained earnings as at 31 December 2016, 2017 and 2018 represent the combined share capital and retained earnings of the companies now comprising the Group after elimination of inter-company transactions and balances. Movement in combined capital and retained earnings are disclosed in the combined statements of changes in equity.

On 23 November 2015, Autoart Motorsports Pte. Ltd. was incorporated with 100,000 ordinary shares at S$1 per share.

On 11 December 2015, Vincar Pte. Ltd. capitalised S$600,000 of its unappropriated profit to issue 600,000 shares at S$1 per share to Mr. Vincent Tan.

On 12 May 2017, Solution Lion issued 87 ordinary shares at a consideration of S$117 for the purpose of incorporation. On 17 July 2017, Solution Lion issued another 10 ordinary shares at a consideration of HK$13,000,000 (equivalent to S$2,293,590).

(b) Company

The Company was incorporated in the Cayman Islands on 4 July 2017. At the date of incorporation, the authorised share capital is HK$380,000 comprising 38,000,000 ordinary shares of HK$0.01 each.

	Number of share	S$
At 4 July 2017 (date of incorporation)	—	—
Allotment of share (Note 1.2 (iii))	1	—
At 31 December 2017 and 2018	1	—

Note: 1 share of HK$0.01 was allotted and issued on 4 July 2017.

23 Related party transactions

(a) The Group is controlled by Mr. Vincent Tan who is the ultimate controlling party of the Group

During the Track Record Period, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationships with the Group
Automotive Fleet Management Pte. Ltd.	Company controlled by the ultimate controlling party of the Group, Mr. Vincent Tan in 2016. Mr. Vincent Tan disposed all his financial interest and relinquished all his roles in the Company and ceased to be a related party in May 2017.
Beng Lee Ser Marisa	Spouse of the ultimate controlling party of the Group, Mr. Vincent Tan.
Vincar Assets Pte. Ltd.	Company which Mr. Vincent Tan has significant influence in.
Autumn Silver Investments Ltd.	Company which Beng Lee Ser, Marisa has significant influence in.
Victoria Land Limited	Company which Beng Lee Ser, Marisa has significant influence in.
Wealth Assets Pte. Ltd.	Company which Vincar Assets Pte. Ltd. has non-controlling shareholding.
Khung Poh Sun	Executive Director of the Company.
Ng Hui Bin Audrey	Sister-in-law of the ultimate controlling party of the Group, Mr. Vincent Tan.

In addition to those disclosed elsewhere in the Historical Financial Information, the following transactions were carried out with related parties:

	Year ended 31 December		
Transactions	**2016**	**2017**	**2018**
	S$	*S$*	*S$*
Rental expenses charged by related parties			
— Autumn Silver Investments Ltd.	(60,000)	(60,000)	(60,000)
— Victoria Land Limited	(84,000)	(84,000)	(84,000)
— Wealth Asset Pte. Ltd.	—	—	(780,000)
— Mr. Vincent Tan & Beng Lee Ser, Marisa	—	—	(96,000)
	(144,000)	(144,000)	(1,020,000)
Purchases of motor vehicles and registration from related parties			
— Beng Lee Ser, Marisa	(950,000)	(388,652)	—
— Ng Hui Bin Audrey's father	—	(90,000)	—
	(950,000)	(478,652)	—
Sales of motor vehicles, spare parts and accessories to related parties			
— Automotive Fleet Management Pte. Ltd.	535,494	231,989	—
— Ng Hui Bin Audrey's father	—	178,398	—
— Ng Hui Bin Audrey's spouse	—	120,107	—
— Beng Lee Ser, Marisa	17,000	421,388	—
	552,494	951,882	—
Payments on behalf of related parties			
— Vincar Assets Pte. Ltd.	10,427	7,951	94
— Beng Lee Ser, Marisa	—	4,445	2,382
— Automotive Fleet Management Pte. Ltd.	31,656	5,382	—
— Ng Hui Bin Audrey	4,722	84	—
— Ng Hui Bin Audrey's father	—	—	2,901
— Ng Hui Bin Audrey's spouse	—	—	1,259
	46,805	17,862	6,636

Transactions	Year ended 31 December 2016	2017	2018
	S$	*S$*	*S$*
Leasing revenue from a related party — Automotive Fleet Management Pte. Ltd.	24,717	2,677	—
Commission expenses paid/payable to a related party — Ng Hui Bin Audrey's spouse	(1,000)	(2,000)	—

For the purposes of these combined financial information, parties are considered to be related to the Group if the key management personnel or shareholders of the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions.

(b) Key management compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors of the Group are considered as key management personnel of the Group.

Compensation of key management personnel of the Group, including directors' remuneration, is disclosed in Note 9 to the Historical Financial Information.

(c) Banking facilities

The ultimate controlling party of the Group, Mr. Vincent Tan, has provided personal guarantee for the grant of banking facilities to the Group as disclosed in Note 20.

24 Notes to the combined statements of cash flow

(a) In the combined statements of cash flows, proceeds from sales of property, plant and equipment comprise:

	Year ended 31 December		
	2016	**2017**	**2018**
	S$	*S$*	*S$*
Net carrying amount (Note 13)	573,896	1,095,853	502,521
Gain/(loss) on disposal of property, plant and equipment (Note 6(b))	63,865	61,449	(6,757)
Proceeds from disposal of property, plant and equipment	637,761	1,157,302	495,764

(b) The amount due to a shareholder includes dividend payable in respect of the years ended 31 December 2016, 2017 and 2018 (Note 11) after offsetting an amount due from a shareholder (Mr. Vincent Tan) amounting to S$2,325,416, S$Nil and S$Nil as at 31 December 2016, 2017 and 2018 respectively. Director's remuneration payable was offset against the amount due from him.

(c) Cash flow information — financing activities

This section sets out the reconciliation of liabilities arising from financing activities for the year ended 31 December 2016, 2017 and 2018.

	Block discounting financing and finance lease liabilities	Interest payable	Bank borrowings (exclude bank overdrafts)	Amount due to a shareholder	Total
	S$	*S$*	*S$*	*S$*	*S$*
As at 1 January 2016	27,384,058	—	10,991,637	(108,280)	38,267,415
Non-cash movements	—	1,390,935	—	5,500,000	6,890,935
Cash flow	4,023,373	(1,390,935)	3,498,347	(2,217,136)	3,913,649
As at 31 December 2016	31,407,431	—	14,489,984	3,174,584	49,071,999
As at 1 January 2017	31,407,431	—	14,489,984	3,174,584	49,071,999
Non-cash movements	—	1,533,335	—	3,000,000	4,533,335
Cash flow	(85,080)	(1,533,335)	(5,998,966)	(3,148,132)	(10,765,513)
As at 31 December 2017	31,322,351	—	8,491,018	3,026,452	42,839,821
As at 1 January 2018	31,322,351	—	8,491,018	3,026,452	42,839,821
Non-cash movements	—	1,676,914	—	—	1,676,914
Cash flow	2,459,113	(1,676,914)	8,287,762	(2,895,452)	6,174,509
As at 31 December 2018	33,781,464	—	16,778,780	131,000	50,691,244

25 Commitments

(a) Operating lease commitments — as lessee

The future minimum lease rentals payable under non-cancellable operating leases of the Group as at 31 December 2016, 2017 and 2018 are as follows:

	As at 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Within 1 year	62,732	205,938	1,170,417
After 1 year but within 5 years	23,044	298,801	1,066,724
	85,776	504,739	2,237,141

(b) Operating lease commitments — as lessor

The future minimum rentals receivable under non—cancellable operating leases of motor vehicles of the Group as at 31 December 2016, 2017 and 2018 are as follows:

	As at 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Within 1 year	838,073	1,312,547	1,769,215
After 1 year but within 5 years	1,279,592	1,219,731	1,695,844
After 5 years	21,460	1,780	13,300
	2,139,125	2,534,058	3,478,359

26 Guarantee

The Company provided corporate guarantees amounting to S$15,460,000, S$15,070,000 and S$Nil as at 31 December 2016, 2017 and 2018 respectively for banking facilities granted to a related party, Wealth Assets Pte. Ltd. The fair value of the corporate guarantee is considered as insignificant at initial recognition.

27 Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2016, 2017 and 2018.

28 Financial instruments by category

The categories of financial instruments as at the end of the financial year are as follows:

	As at 31 December		
	2016	2017	2018
	S$	*S$*	*S$*
Financial assets at amortised costs			
Loans and other receivables excluding prepayments	3,569,998	7,664,365	5,799,757
Amount due from a related party	15,477	21,898	21,992
Cash and cash equivalents	2,922,633	4,843,747	7,855,000
Financial liabilities at amortised cost			
Borrowings	(45,897,415)	(41,494,392)	(51,336,384)
Trade and other payables excluding non-financial liabilities	(3,185,221)	(6,514,468)	(8,738,572)
Amount due to a shareholder	(3,174,584)	(3,026,452)	(131,000)

The carrying amounts of current financial assets and current financial liabilities approximate their fair values due to their short-term nature.

The fair values of the non-current portions of finance lease receivables and finance lease liabilities, as computed based on cash flows discounted at the expected market borrowing rates, approximate the carrying amounts stated in the Historical Financial Information.

II. SUBSEQUENT EVENTS

On 1 February 2019, pursuant to the sale and purchase agreement entered into among Gatehouse Ventures, the Pre-IPO Investor and the Company for the transfer of all the issued shares of Solution Lion to the Company in consideration of (a) the Company allotting and issuing 89 shares and 10 shares to Gatehouse Ventures and the Pre-IPO Investor, respectively, all credited as fully paid; and (b) the initial share held by Gatehouse Ventures being credited as fully paid.

Except as disclosed above and elsewhere in this report, there are no other material subsequent events undertaken by the Company or by the Group after 31 December 2018.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018 and up to the date of this report. No dividend and distribution has been paid or declared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018.

The information set out in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this document and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2018 as if Share Offer had taken place on 31 December 2018.

This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the Share Offer been completed as at 31 December 2018 or at any future date.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2018	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company**	**Unaudited pro forma adjusted combined net tangible assets per share**	**Unaudited pro forma adjusted combined net tangible assets per share**
	S$'000	*S$'000*	*S$'000*	*S$*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$0.43 per Share	27,732	12,705	40,437	0.045	0.26
Based on an Offer Price of HK$0.47 per Share	27,732	14,048	41,780	0.046	0.27

Notes:

1. The audited combined net tangible assets attributable to the equity holders of the Company as at 31 December 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus which is the audited combined net assets attributable to the equity holders of the Company as at 31 December 2018 of S$27,731,799, as the Group did not have any intangible assets as at 31 December 2018.

2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK$0.43 and HK$0.47 per Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses borne by the Group (excluding approximately S$2,955,222 listing-related expenses which have been accounted for in the combined statements of comprehensive income up to 31 December 2018).

3. The unaudited pro forma adjusted combined net tangible assets per share is arrived at after the adjustments as described in Note 2 above and is based on that approximately 900,000,000 shares were in issue immediately after the Listing (assuming that the Share Offer had been completed on 31 December 2018), without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

4. For the purpose of this unaudited pro forma adjusted combined net tangible assets per share, the amounts stated in Singapore dollar are converted into Hong Kong dollar at a rate of S$1.00 to HK$5.80. No representation is made that Singapore dollar has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Guan Chao Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Guan Chao Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2018 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 13 February 2019, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 December 2018 as if the proposed initial public offering had taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 December 2018, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 13 February 2019

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 July 2017 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 1 February 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal

value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of

the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 3 August 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 July 2017. Our Company has established its principal place of business in Hong Kong at Room 5705, 57/F, The Center, 99 Queen's Road Central, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 25 January 2018, with Mr. Lui Wai Sing appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum and the Articles. A summary of certain provisions of the Memorandum and the Articles and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. Upon its incorporation, one nil-paid Share was allotted and issued to its initial subscriber. On the same day, the said one nil-paid Share was transferred to Gatehouse Ventures. The following alterations in the share capital of our Company have taken place since the date of incorporation up to the date of this prospectus:

(a) On 1 February 2019, Gatehouse Ventures and the Pre-IPO Investor transferred their entire shareholding interest in Solution Lion to our Company in consideration of (i) our Company allotting and issuing 89 Shares and 10 Shares to Gatehouse Ventures and the Pre-IPO Investor, respectively, all credited as fully paid; and (ii) the initial Share held by Gatehouse Ventures being credited as fully paid.

(b) On 1 February 2019, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each by the creation of an additional 9,962,000,000 Shares of HK$0.01 each which rank *pari passu* in all respect with the existing Shares.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

Our principal subsidiaries are set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

4. Resolutions in writing of all our Shareholders passed on 1 February 2019

Pursuant to the resolutions in writing passed by of all our Shareholders on 1 February 2019, among other things:

(a) our Company approved and adopted the new Memorandum with immediate effect and the new Articles with effect from the Listing Date;

(b) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$100,000,000 divided into 10,000,000,000 Shares by the creation of additional 9,962,000,000 Shares, which rank *pari passu* in all respects with the Shares in issue as at the date of such resolutions;

(c) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, on the Main Board, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; (bb) the Offer Price having been duly determined in or around the Price Determination Date; (cc) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date of this prospectus:

    (i) the Share Offer was approved and our Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Share Offer; (bb) implement the Share Offer and the listing of Shares on the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" in this appendix, were approved and adopted and our Directors were authorised to approve any amendment(s) to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK$6,949,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 694,999,900 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on the date prior to the Listing Date (or as they may direct) in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate (the "**Issue Mandate**") was given to our Directors to exercise all powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might acquire Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or upon the exercise of any option(s) which may be granted under the Share Option Scheme or under the Share Offer or the Capitalisation Issue and any option(s) which may be granted under the Share Option Scheme, Shares not exceeding the sum of (aa) 20% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme), (bb) the aggregate number of Shares which may be repurchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general

meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first; and

(vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares bought back by our Company pursuant to the mandate to repurchase Shares as referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme).

(d) our Company approved the form and substance of each of the service contracts made between each of our Executive Directors and our Company, and the form and substance of each of the appointment letter made between each of our Non-Executive Director and Independent Non-Executive Directors with our Company.

5. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For details, please see the section headed "History, Reorganisation and Group Structure" in this prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Main Board of the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions in writing of all our Shareholders passed on 1 February 2019, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme), and the Repurchase Mandate shall remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchase(s) by us may be made out of profits of our Company, share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on a redemption or the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if so authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Core connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this

prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 900,000,000 Shares in issue immediately after the Listing (but without taking into account any Shares which may be allotted and issued pursuant to the options that may be granted under the Share Option Scheme), would result in up to 90,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Share(s) to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT OUR COMPANY'S BUSINESS

7. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the Pre-IPO Investment Agreement;

(b) the deed of undertaking dated 11 January 2018 (the "**Deed of Undertaking**") from Vincar Assets to our Company pursuant to which Vincar Assets undertakes in favour of our Group that, *inter alia*, it will not engage in any business relating to any sales of motor vehicles and sales of motor vehicle parts and accessories, provision of motor vehicle financing services and insurance agency services, rental and leasing of motor vehicles, repair and maintenance of motors vehicles, or such other business of similar natures, functions and/or purposes from the date of the Deed of Undertaking and thereinafter, which has or is likely to have direct or indirect competition with our Group's existing business in Singapore and such business as may be engaged by our Group from time to time;

(c) the sale and purchase agreement dated 12 October 2018 entered into between Mr. Vincent Tan and Solution Lion for the transfer of the entire issued and paid-up share capital of VLR from Mr. Vincent Tan to Solution Lion in consideration of Solution Lion allotting and issuing one ordinary share to Gatehouse Ventures, being the nominee of Mr. Vincent Tan, credited as fully paid;

(d) the sale and purchase agreement dated 12 October 2018 entered into between Mr. Vincent Tan and Solution Lion for the transfer of the entire issued and paid-up share capital of Vincar from Mr. Vincent Tan to Solution Lion in consideration of Solution Lion allotting and issuing one ordinary share to Gatehouse Ventures, being the nominee of Mr. Vincent Tan, credited as fully paid;

(e) the sale and purchase agreement dated 12 October 2018 entered into between Mr. Vincent Tan and Solution Lion for the transfer of the entire issued and paid-up share capital of Autoart from Mr. Vincent Tan to Solution Lion in consideration of Solution Lion allotting and issuing one ordinary share to Gatehouse Ventures, being the nominee of Mr. Vincent Tan, credited as fully paid;

(f) the Supplemental Pre-IPO Investment Agreement;

(g) the side letter dated 30 November 2018 to the Pre-IPO Investment Agreement and the Supplemental Pre-IPO Investment Agreement entered into among the Pre-IPO Investor, Solution Lion and Mr. Vincent Tan in relation to the extension of the long stop date to 28 February 2019;

(h) the sale and purchase agreement dated 1 February 2019 entered into among Gatehouse Ventures, the Pre-IPO Investor and our Company for the transfer of all the issued shares of Solution Lion from Gatehouse Ventures and the Pre-IPO Investor to our Company in consideration of (i) our Company allotting and issuing 89 Shares and 10 Shares to Gatehouse Ventures and the Pre-IPO Investor, respectively, all credited as fully paid; and (ii) the initial Share held by Gatehouse Ventures being credited as fully paid;

(i) the supplemental deed dated 1 February 2019 to the Deed of Undertaking entered into between Vincar Assets and our Company in relation to the extension of the date on which the Deed of Undertaking will cease to have effect;

(j) the Deed of Indemnity;

(k) the Deed of Non-competition; and

(l) the Public Offer Underwriting Agreement.

8. Intellectual property rights of our Group

(a) Trademarks

Currently, our Group has registered the following trademarks:

Trademark	Registrant	Place of registration	Class	Registration number	Expiry date
V1NCAR	Vincar	Hong Kong	35, 36, 37 and 39	304224474	27 July 2027
	Vincar	Hong Kong	35, 36, 37 and 39	304224500	27 July 2027
V1NCAR	Vincar	Singapore	35, 36, 37 and 39	40201710639V	7 June 2027
	Vincar	Singapore	35, 36, 37 and 39	40201710641S	7 June 2027

(b) Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registrant	Expiry date
vincar.com.sg	Vincar	11 September 2019
autoart.sg	Autoart	16 February 2019
vincar.sg	Vincar	16 February 2019

On 8 February 2019, we had registered the following domain name:

Domain name	Registrant	Expiry date
guanchaoholdingsltd.com	Our Company	8 February 2021

The contents of the website(s) do not form part of this prospectus. Save as disclosed in this prospectus, there are no other trademarks, patents or other intellectual property rights which are material in relation to the business of our Group.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

9. Particulars of Directors' service contracts and letters of appointment

(a) Executive Directors' service contracts

Each of our Executive Directors has entered into a service contract with our Company on 1 February 2019. The terms and conditions of each service contract are similar in all material aspects. Each service contract is for an initial term of three years with effect from the Listing Date and shall continue thereafter unless and until it is terminated by our Company or our relevant Director giving to the other not less than three months' prior notice in writing. Under the service contracts, the initial annual salary payable to our Executive Directors is as follows:

Name	Amount (approx.)
Mr. Vincent Tan	S$511,000
Ms. Ng	S$107,000
Mr. Khung	S$107,000

Each of our Executive Directors is entitled to a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of that Executive Director. Each of our Executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board regarding the amount of annual salary and discretionary bonus payable to himself or herself.

(b) Non-Executive Director's and Independent Non-Executive Directors' letters of appointment

Each of our Non-Executive Director and Independent Non-Executive Directors has entered into a letter of appointment with our Company on 1 February 2019. Each letter of appointment is for an initial term of one year commencing from the Listing Date and shall continue thereafter unless terminated by either party giving at least one month's notice in writing. Under the letters of appointment, the annual director's fees payable to our Non-Executive Director and Independent Non-Executive Directors are as follows:

Name	Amount (approx.)
Mr. Raymond Wong	S$31,000
Mr. Chow Wing Tung	S$31,000
Mr. Hui Yan Kit	S$31,000
Mr. Tam Yat Kin Ken	S$31,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

The aggregate of the remuneration (including salaries and allowance, bonuses and employer's contribution to CPF) paid and benefits in kind granted by our Group to our Directors for FY2016, FY2017 and FY2018 were approximately S$792,000, S$674,000 and S$733,000, respectively.

Under the arrangements currently in force, the aggregate amount of compensation (excluding any discretionary bonus, if any, payable to our Directors) payable by our Group to and benefits in kind receivable by our Directors for FY2019 is estimated to be approximately S$846,000.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for FY2016, FY2017 and FY2018 (i) as an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for FY2016, FY2017 and FY2018.

10. Interests and short positions of Directors and chief executive in the Shares, underlying shares or debentures of our Company and its associated corporations

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), the interests or short positions of our Directors and the chief executive of our Company in the Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, in each case once the Shares are listed on the Stock Exchange, will be as follows:

Long positions in the Shares of our Company

		Shares held immediately following completion of the Capitalisation Issue and the Share Offer *(Note 1)*	
Name of Director	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Mr. Vincent Tan	Interest in a controlled corporation *(Note 2)*	605,500,000 (L)	67.3%

Notes:

1. The Letter "L" denotes the person's long position in the relevant Shares.

2. All the issued shares of Gatehouse Ventures are legally and beneficially owned as to 100% by Mr. Vincent Tan. Accordingly, Mr. Vincent Tan is deemed to be interested in 605,500,000 Shares held by Gatehouse Ventures by virtue of the SFO. Mr. Vincent Tan is a Controlling Shareholder and an Executive Director of our Company.

11. Interest discloseable under the SFO and substantial shareholders

So far as is known to our Directors, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), the following persons/entities (not being a Director or the chief executive of our Company) will have an interest

or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		Shares held immediately following completion of the Capitalisation Issue and the Share Offer *(Note 1)*	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Percentage of shareholding in our Company**
Gatehouse Ventures . . .	Beneficial owner	605,500,000 (L)	67.3%
Mrs. Marisa Tan	Interest of spouse *(Note 2)*	605,500,000 (L)	67.3%
Gifted Ally	Beneficial owner	69,500,000 (L)	7.7%
Mr. Ng Tat Po	Interest in controlled corporation *(Note 3)*	69,500,000 (L)	7.7%
Ms. Sham Wai Shan Suzanne	Interest of Spouse *(Note 4)*	69,500,000 (L)	7.7%

Notes:

1. The Letter "L" denotes the person's long position in the relevant Shares.

2. Mrs. Marisa Tan is the spouse of Mr. Vincent Tan and is therefore deemed to be interested in all the Shares that Mr. Vincent Tan is interested in via Gatehouse Ventures by virtue of the SFO.

3. All the issued shares of Gifted Ally are legally and beneficially owned as to 100% by Mr. Ng Tat Po. Accordingly, Mr. Ng Tat Po is deemed to be interested in all the Shares held by Gifted Ally by virtue of the SFO.

4. Ms. Sham Wai Shan Suzanne is the spouse of Mr. Ng Tat Po and is therefore deemed to be interested in all the Shares that Mr. Ng Tat Po is interested in via Gifted Ally by virtue of the SFO.

12. Related party transactions

During the three years immediately preceding the date of this prospectus, our Group engaged in the related party transactions as mentioned in note 23 of the Accountant's Report set out in Appendix I to this prospectus.

13. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;

(b) so far as is known to any of our Directors or chief executive of our Company, no person will immediately following completion of the Share Offer and the Capitalisation Issue has an interest or short position in the Shares or the underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the persons listed in the sub-section headed "21. Qualifications and consents of experts" below is interested, directly or indirectly, in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or were proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;

(d) none of our Directors or the persons listed in the sub-section headed "Qualifications and consents of experts" below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;

(e) none of the persons listed in the sub-section headed "Qualifications and consents of experts" below has any shareholding (whether legally or beneficially) in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) so far as is known to our Directors, none of our Directors or their respective close associates or any Shareholders of our Company (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the top five customers or the top five suppliers of our Group.

14. Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, which was approved by resolutions in writing of all our Shareholders passed on 1 February 2019. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the Share Option Scheme

The purpose of this Share Option Scheme is to enable our Board to grant options to Eligible Persons (as defined below) as incentives or rewards for their contribution or potential contribution to our Group and to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to the Group.

(b) Who may join

Subject to the provisions in the Share Option Scheme, our Directors may at any time and from time to time within a period of ten (10) years commencing from the date of adoption of the Share Option Scheme at their absolute discretion and subject to such terms, conditions, restrictions or limitations as they may think fit offer, at the consideration of HK$1.00 per option, to grant option to any person belonging to the following classes of participants (the "**Eligible Person(s)**"):

(i) any employee or proposed employee (whether full time or part time, including any director) of any member of the Group or invested entity; and

(ii) any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contributes to the development and growth of our Group or any invested entity.

(c) Maximum number of Shares

(i) Notwithstanding anything to the contrary herein, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

(ii) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 90,000,000 Shares, being 10% of the total number of Shares (assuming no options are granted under the Share Option Scheme) in issue on the Listing Date (the "**Scheme Limit**") unless approved by our Shareholders pursuant to paragraph (iv) below. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company shall not be counted for the purpose of calculating the Scheme Limit.

(iii) Our Company may seek separate approval of the Shareholders in general meeting for refreshing the Scheme Limit provided that such limit as refreshed shall not exceed 10% of the total number of Shares (assuming no options are granted under the Share Option Scheme) in issue as at the date of the approval of the Shareholders on the refreshment of the Scheme Limit. Options previously granted under the Share Option Scheme or any other share option schemes of our Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of our Company or exercised) will not be counted for the purpose of calculating the limit as refreshed.

For the purpose of seeking the approval of Shareholders, a circular containing the information as required under the Listing Rules shall be sent by our Company to the Shareholders.

(iv) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the Scheme Limit provided that the Options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by our Company before such approval is sought and that the proposed grantee(s) and his close associates (or his associates if the proposed grantee is a connected person) shall abstain from voting in

the general meeting. For the purpose of seeking the approval of the Shareholders, our Company shall send a circular to the Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and any other information as required under the Listing Rules.

(d) Maximum entitlement of each Eligible Person

No option shall be granted to any Eligible Person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue from time to time (the "**Participant Limit**"), unless:

(i) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the Shareholders in general meeting, at which the Eligible Person and his close associates shall abstain from voting;

(ii) a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the Eligible Person, the number and terms of the options to be granted and options previously granted to such Eligible Person); and

(iii) the number and terms (including the subscription price) of such option are fixed before our Shareholders' approval is sought.

(e) Grant of options to connected persons

(i) Any grant of options to any Director, chief executive, or substantial shareholder (excluding the proposed director or chief executive) of our Company or any of their respective associates shall be approved by all the Independent Non-Executive Directors (excluding any Independent Non-Executive Director who is any offeree of an option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.

(ii) Where an option is to be granted to a substantial shareholder or an Independent Non-Executive Director (or any of their respective associates), and such grant will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under

the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant: (1) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the total number of Shares in issue at the relevant time of grant; and (2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant, in excess of HK$5 million (or such other amount as may from time to time be specified by the Stock Exchange), such grant shall not be valid unless: (aa) a circular containing the details of the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including, in particular, a recommendation from the Independent Non-Executive Directors (excluding any Independent Non-Executive Director who is a grantee of an option) to the independent Shareholders as to voting); and (bb) the grant has been approved by the independent Shareholders in general meeting (taken on a poll), at which the proposed grantee, his associates and all core connected persons of our Company shall abstain from voting in favour of the grant.

(iii) Where any change is to be made to the terms of any option granted to a substantial shareholder or an Independent Non-Executive Director (or any of their respective associates), such change shall not be valid unless the change has been approved by the Shareholders in general meeting as required under sub-paragraph above.

(f) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an Eligible Person within the date as specified in the offer letter issued by our Company, being a date not later than 21 days inclusive of, and from, the date upon which it is made, by which the Eligible Person must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten years after the date of adoption of the Share Option Scheme or after the termination of the Share Option Scheme, and no such offer may be accepted by a person who ceases to be an Eligible Person after the offer has been made.

An offer shall be deemed to have been accepted on the date when the duly signed duplicate comprising acceptance of the offer by the Eligible Person, together with a payment in favour of our Company of HK$1.00 per option by way of consideration for the grant thereof is delivered to our Company. Such consideration shall in no circumstances be refundable. Subject to the rules of the Share Option Scheme, option may be exercised in whole or in part by the grantee at any time before the expiry of the period to be determined and notified by our Board to the grantee which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten-year period.

(g) Performance targets

There is no performance target that has to be achieved or minimum period in which an option must be held before the exercise of any option save as otherwise imposed by our Board in the relevant offer of options.

(h) Subscription price for Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by our Board, and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date (the "**Offer Date**"), which must be a trading day, on which our Board passes a resolution approving the making of an offer of grant of an option to an Eligible Person; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the Offer Date.

Where an option is to be granted, the date of our Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option. For the purpose of calculating the subscription price, where an option is to be granted less than five trading days after the listing of the Shares on the Stock Exchange, the new issue price shall be taken to be the closing price for any Business Day within the period before listing.

(i) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option shall be subject to our Company's constitutional documents for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment.

(j) Restrictions on the time of grant of options

No offer of an option shall be made and option shall be granted after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of our Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's result for any year, half-year, quarterly or any other

interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option shall be granted.

(k) Period of the Share Option Scheme

Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted. All options granted and accepted and remaining unexercised immediately prior to expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

(l) Rights on cessation of employment

Where the grantee of an outstanding option ceases to be an Eligible Person for any reason other than his serious illness, death, retirement in accordance with his contract of employment or service or the termination of his contract of employment or service on one or more of the grounds specified in paragraph (m) below, the grantee may exercise his outstanding options within 3 months following the date of such cessation, and any such options not exercised shall lapse and determine at the end of the said period of 3 months.

(m) Rights on dismissal

If the grantee of an option is an Eligible Person and ceases to be an Eligible Person by reason of a termination of his contract of employment or service on any one or more grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his option (to the extent not already exercised) will lapse automatically on the date of cessation of being an Eligible Person.

(n) Rights on death

Where the grantee of an outstanding option dies before exercising the option in full or at all, the option may be exercised in full or in part (to the extent not already exercised) by his personal representative(s) within 12 months from the date of death or such period extended by our Board.

(o) Rights on a general offer

If a general or partial offer is made to all our Shareholders (other than the offeror and/ or any person controlled by the offeror and/or any person acting in association or concert with the offeror), our Directors shall as soon as practicable notify the option holder accordingly. An option holder shall be entitled to exercise his outstanding options in whole or in part within fourteen (14) days of receipt of such notice. To the extent that any option has not been so exercised, it shall upon the expiry of such period lapse and determine.

(p) Rights on winding-up

If notice is given of a general meeting of our Company at which a resolution will be proposed for the voluntary winding-up of our Company, our Company shall forthwith give notice thereof to all option holders and each option holder shall be entitled, at any time not later than two (2) Business Days prior to the proposed general meeting of our Company to exercise his outstanding options in whole or in part. Our Company shall as soon as possible and in any event no later than one (1) Business Day prior to the date of such general meeting, allot and issue such number of Shares to the option holders which fall to be issued on such exercise. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up.

(q) Rights on compromise or arrangement between our Company and its creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all option holders on the same date as it gives notice of the meeting to our Shareholders and our Company's creditors, and thereupon each option holder shall be entitled, at any time not later than two (2) Business Days prior to the proposed meeting of our Company, to exercise his outstanding options in whole or in part. Our Company shall as soon as possible and in any event no later than one (1) Business Day prior to the date of such general meeting, allot and issue such number of Shares to the option holders which fall to be issued on such exercise. Subject thereto, all Options then outstanding shall lapse and determine upon such compromise or arrangement becoming effective.

(r) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, subdivision or consolidation of shares or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction), our Company shall (if applicable) make corresponding alterations (if any), in accordance with Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplemental guidance issued by the Stock Exchange on 5 September 2005) to:

(i) the number or nominal amount of Shares comprised in each Option for the time being outstanding; and/or

(ii) the subscription price; and/or

(iii) the Scheme Limit; and/or

(iv) the Participant Limit;

as the auditors or the independent financial adviser to our Company shall certify in writing to our Board to be in their opinion fair and reasonable, provided that:

(a) the aggregate Subscription Price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such adjustment;

(b) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(c) no adjustment will be required in circumstances when there is an issue of Shares as consideration in a transaction; and

(d) any adjustment shall be made in accordance with the provisions of Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

In addition, in respect of any such adjustments, other than any made on a capitalisation issue, the auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

(s) Cancellation of options

Our Board may cancel an option granted but not exercised with the approval of the option holder. Any such options cancelled by our Company cannot be re-granted to the same Eligible Person; the issue of new options must be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the Scheme Limit.

(t) Termination of the Share Option Scheme

Our Company, by resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provision of the Share Option Scheme shall remain in full force and effect. All options granted and accepted and remaining unexercised immediately prior to such termination shall continue to be valid and exercisable in accordance with their terms and the terms of the Share Option Scheme.

(u) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable or transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee.

(v) Lapse of option

The right to exercise an option (to the extent not already exercised) shall lapse immediately upon the earliest of:

(i) the expiry of the option period to be determined and notified by our Board to the grantee;

(ii) the expiry of the periods as referred to in sub-paragraphs (l), (n), (o), (p) and (q) respectively;

(iii) subject to sub-paragraph (p), the date of the commencement of the winding-up of our Company;

(iv) the date on which the grantee ceases to be an Eligible Person by reason of the termination of his contract of employment or service on any one or more grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally or has been convicted of any criminal offence involving his integrity or honesty; and

(v) the date on which the Directors cancel any outstanding option or part thereof on the ground the grantee commits a breach of sub-paragraph (u) breach of the Share Option Scheme.

(w) Alterations to the Share Option Scheme

(i) The Share Option Scheme may be amended or altered in any respect to the extent allowed by the Listing Rules by resolution of our Board except that the following alterations must first be approved by a resolution of the Shareholders in general meeting:

(i) the purpose of the Share Option Scheme;

(ii) the definitions of "Eligible Person", "Option Period" and "Scheme Period";

(iii) the Scheme Limit;

(iv) the Participant Limit;

(v) the minimum period for which an option must be held before it can be exercised;

(vi) the statement as to performance targets that must be achieved before an option may be exercised;

(vii) the amount payable on acceptance of an option and the period within which it must be paid for such purpose;

(viii) the basis of determination of the subscription price;

(ix) the rights to be attached to the Shares to be issued upon the exercise of options;

(x) the circumstances under which options will automatically lapse;

(xi) the adjustment made in the event of any alterations of the capital structure of our Company;

(xii) the cancellation of options granted but not exercised;

(xiii) the effect on existing options of an early termination of the Share Option Scheme;

(xiv) the transferability of options;

(xv) this paragraph (w);

(xvi) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted to the advantage of such option holders; and

(xvii) any change to the authority of the Directors in relation to any alterations to the terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options shall comply with Chapter 17 of the Listing Rules.

(ii) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be altered in any respect by resolution of our Board without the approval of the Shareholders or the grantee(s) to the extent such amendment or alteration is required by the Listing Rules or any guideline issued by the Stock Exchange from time to time.

(iii) Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(x) Conditions

The Share Option Scheme is conditional upon:

(i) the passing of the necessary resolutions to approve and adopt the Share Option Scheme;

(ii) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and the Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme; and

(iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions referred to above are not satisfied on or before the date falling thirty (30) days after the date of this prospectus, the Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

(y) Present status of the Share Option Scheme

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Scheme and any other share option scheme(s) of our Company shall not exceed 90,000,000 Shares, being 10% of the total number of Shares in issue as at the date of listing of the Shares unless our Company obtains the approval of the Shareholders in general meeting for refreshing the said 10% limit under the Share Option Scheme, provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit above mentioned.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

OTHER INFORMATION

15. Tax and other indemnities

Each of Gatehouse Ventures and Mr. Vincent Tan (the "**Indemnifiers**") has, pursuant to the Deed of Indemnity referred to in the paragraph headed "7. Summary of material contracts" in this appendix, given indemnity on a joint and several basis in favour of our Company (for ourselves and as trustee for each of our subsidiaries) from and against, among other things, any tax liabilities which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received before the Listing Date, save:

(a) to the extent that full provision or allowance has been made for such taxation in the audited combined accounts of our Group as set out in Appendix I to this prospectus;

(b) to the extent that such taxation claim arises or is incurred as a result of any retrospective change in law or regulations or practice by the Hong Kong Inland Revenue Department or the tax authorities of Singapore or any other tax or government authorities in any part of the world coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect;

(c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any member of our Group which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the date on which the conditions stated in the paragraph headed "Conditions of the Share Offer" in the section headed "Structure and Conditions of the Share Offer" in this prospectus being fulfilled on or before the date as stated therein (the "**Effective Date**");

(d) to the extent that such taxation or liability is/are discharged by another person who is not a member of our Group and that none of our Company and members of our Group is required to reimburse such person in respect of the discharge of such taxation or liability;

(e) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the date of execution of the Deed of Indemnity or carried out, made or entered into pursuant to a legally binding commitment created before the Effective Date; and

(f) to the extent of any provisions or reserve made for taxation in the audited accounts of our Group which is finally established to be an over-provision or an excessive reserve as set out in Appendix I to this prospectus.

Further, pursuant to the Deed of Indemnity, the Indemnifiers have given an indemnity in respect of, among other matters, any liability for Hong Kong estate duty, if any, which might be incurred by any member of our Group by reason of any transfer of property to any member of our Group on or before the Listing Date. Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Singapore, the British Virgin Islands, being jurisdictions in which the companies comprising our Group are incorporated.

In addition, pursuant to the Deed of Indemnity, the Indemnifiers have agreed and undertaken to jointly and severally indemnify the members of our Group and each of them and at all times keep the same indemnified on demand from and against, *inter alia*, all demands, payments, suits, settlement payments, liabilities, claims, damages, losses, costs, expenses, fines, actions and proceedings whatsoever and howsoever arising at any time whether present or in the future as a result of or in connection with, among other things:

(a) the restructuring and reorganisation undergone by members of our Group;

(b) any alleged or actual violation or non-compliance by any member of our Group with any laws, regulations or administrative orders or measures in Singapore and Hong Kong and in any other jurisdictions on or before the Effective Date;

(c) any and all expenses, payments, sums, outgoing fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to, legal and other professional costs), charges, contributions, liabilities, fines, penalties which any member of our Group may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) or any other applicable laws, rules and regulations by any member of our Group on or before the Effective Date;

(d) any irregularities in relation to any corporate documents of any member of our Group; and

(e) all direct losses and damages that we and members of our Group may suffer as a result of the breach of non-compliance incidents as disclosed in this prospectus.

16. Litigation

Save as disclosed herein, during the Track Record Period and up to the Latest Practicable Date, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

17. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fee in relation to the Listing is approximately HK$4.4 million.

The Sole Sponsor has made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made for the Shares to be admitted into CCASS.

18. Compliance Adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Titan Financial Services Limited as its compliance adviser to provide consultancy services to our Company to ensure compliance with Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company distribute the annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

19. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK$45,000 and are payable by our Company.

20. Promoter

Our Company does not have any promoter (as defined in the Listing Rules). Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

21. Qualifications and consents of experts

Name	Qualification
Titan Financial Services Limited .	Licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity as defined under the SFO
PricewaterhouseCoopers	Certified public accountants
Rajah & Tann Singapore LLP . . .	Legal advisers to our Company as to Singapore law
Conyers Dill & Pearman	Legal advisers to our Company as to Cayman Islands law
China Insights Consultancy Limited	Independent industry consultant

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

22. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

23. Taxation of holders of Shares

(a) Hong Kong

(i) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by the Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006.

(b) The Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

24. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name:	Gatehouse Ventures Limited
Registered office address:	Vistra Corporate Services Centre Wickhams Cay II Road Town Tortola VG1110 British Virgin Islands
Description:	An investment holding company incorporated in the BVI with limited liability
Number of Sale Shares to be sold:	20,000,000 Shares
Interest of our Director in the Sale Shares:	Gatehouse Ventures Limited is wholly-owned (legally and beneficially) by Mr. Vincent Tan, our Executive Director and one of our Controlling Shareholders

25. Miscellaneous

(a) Save as disclosed in this prospectus, within two years preceding the date of this prospectus:

(i) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages (other than under the Underwriting Agreement) or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

(iii) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of its subsidiaries; and

(iv) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Saved as disclosed in this prospectus, no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.

(c) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2018 (being the date to which the latest audited combined financial statements of our Group were prepared).

(d) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.

(e) None of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or submission to deal being or proposed to be sought.

(f) None of our Directors nor any of the persons whose names are listed in paragraph headed "21. Qualifications and consents of experts" in this appendix has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group.

(g) There has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 24 months preceding the date of this prospectus.

(h) Subject to the provisions of the Companies Law, the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

(i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

(j) Our Company has no outstanding convertible debt securities or debenture.

(k) There is no arrangement under which future dividends have been waived or agreed to be waived.

(l) No company within our Group is presently listed on any stock exchange or traded on any trading system.

26. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

27. No material adverse change

Saved as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our Group's financial or trading position since 31 December 2018.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(1) a copy of each of the **WHITE** and **YELLOW** Application Forms;

(2) the written consents referred to in the paragraph headed "Other information — 21. Qualifications and consents of experts" in Appendix IV to this prospectus;

(3) a statement of the particulars of the Selling Shareholder; and

(4) a copy of each of the material contracts referred to in the paragraph headed "Further information about our Company's business — 7. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Robertsons, at 57th Floor, The Center, 99 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association;

(b) the accountant's report of our Group dated 13 February 2019 from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the audited combined financial statements of our Company for FY2016, FY2017 and FY2018;

(d) the report dated 13 February 2019 on unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;

(e) the rules of our Share Option Scheme;

(f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;

(g) the Cayman Companies Law;

(h) the material contracts referred to in the paragraph headed "Further information about our Company's business — 7. Summary of material contracts" in Appendix IV to this prospectus;

(i) the written consents referred to in the section headed "Other information — 21. Qualifications and consents of experts" in Appendix IV to this prospectus;

(j) the service contracts referred to in the paragraph headed "Further information about our Directors and Substantial Shareholders — 9. Particulars of Directors' service contracts and letters of appointment" in Appendix IV to this prospectus;

(k) the legal opinion issued by Rajah & Tann Singapore LLP, our Singapore Legal Advisers;

(l) the industry report prepared by China Insights Consultancy Limited referred to in the section headed "Industry Overview" in this prospectus; and

(m) the statement of the particulars of the Selling Shareholder.



冠轈控股有限公司

GUAN CHAO HOLDINGS LIMITED