
RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We maintain limited insurance coverage.

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

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

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

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

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

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

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

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

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

RISKS RELATING TO OUR INDUSTRY

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

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

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

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

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

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

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

RISKS RELATING TO THE [REDACTED]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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