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

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

SOURCE OF INFORMATION

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

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

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

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

OVERVIEW OF MACRO-ECONOMY IN SINGAPORE

Nominal GDP and Per Capita Nominal GDP

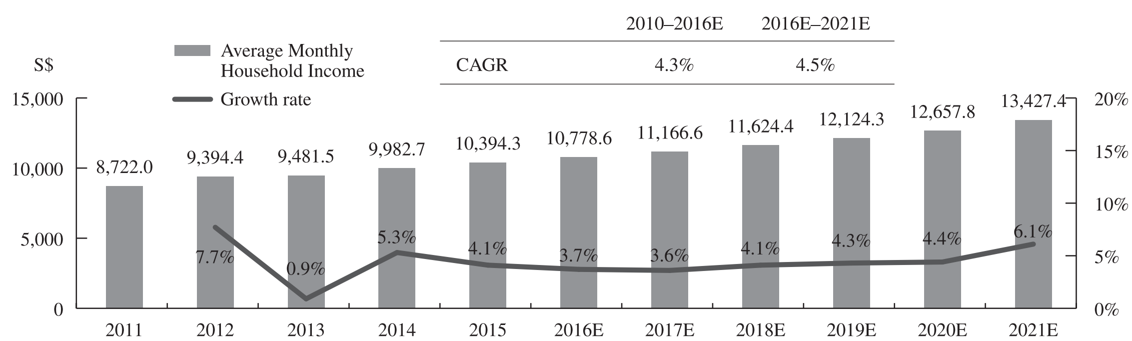
Driven mainly by the development of domestic manufacturing and service sector, nominal GDP in Singapore witnessed a stable growth from S$346.4 billion in 2011 to S$413.9 billion in 2016, representing a CAGR of 3.6% during this period. It is estimated that nominal GDP in Singapore will increase from S$413.9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

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

Average Monthly Household Income

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

Average Monthly Household Income in Singapore, 2011–2021E



Source: Department of Statistics Singapore, Frost & Sullivan

OVERVIEW OF SINGAPORE PASSENGER VEHICLE MARKET

Definition and Classification of Passenger Vehicle Market

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

Introduction of COE System in Singapore

A COE represents a right to vehicle ownership and use of the limited road space for ten years. Anyone who wishes to register a new vehicle in Singapore must firstly obtain a COE in the appropriate vehicle category. At the end of the ten-year COE period, vehicle owners may choose to deregister their vehicle or to revalidate their COEs for another five or ten-year period by paying the prevailing quota premium. Vehicle owners are also allowed to deregister their COEs before the expiry of the ten-year period and will receive money rebate. COEs are bidded through the COE open bidding system. There are two COE open bidding exercises each month and typically run as follows: starting on the first Monday and third Monday of the month at 12pm and, ending two days later on Wednesday at 4pm. According to the LTA, the monthly COE quota is calculated by summing up (i) the allowed annual net increase in vehicle population; (ii) the replacement of de-registered vehicles; and (iii) adjustments to account for changes in taxi population, past over-projections, expired or cancelled temporary COE, etc. Given the allowed annual net increase in vehicle population is kept at a fixed rate of 0.25% of the vehicle population of the previous year since February 2015, and the adjustments remain comparatively stable every month, the replacement of de-registered vehicles largely influences the COE quota.

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

COE Quota and Bidding Result in Singapore, 2011–2016

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

Source: LTA, Frost & Sullivan

Introduction of Passenger Vehicle Distributors and Dealers in Singapore

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

- Authorised passenger vehicle distributors and dealers sign dealership contracts with specific passenger vehicle manufacturers or their sales subsidiaries. Some authorised distributors and dealers sell single brand passenger vehicles. However, there are also multi-brand authorised passenger vehicle distributors and dealers that sell passenger vehicles and dealers from different manufacturers.

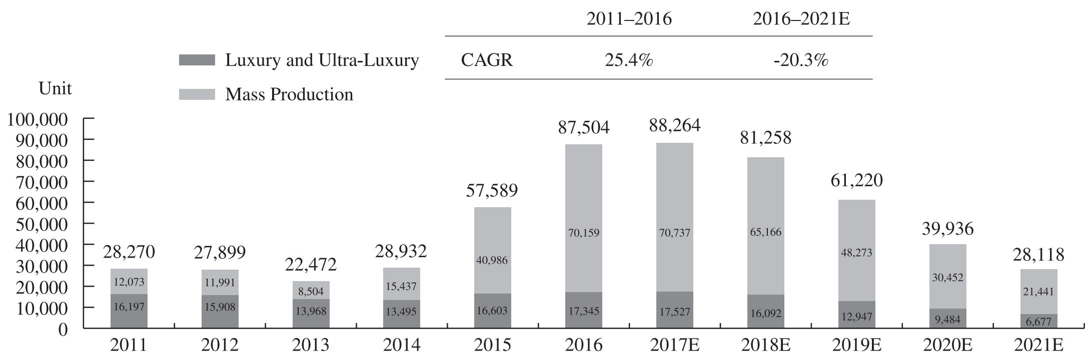
- Independent passenger vehicle distributors and dealers, also known as parallel importers, sell passenger vehicles imported from another country without signing dealership contracts with manufacturers. Independent passenger vehicle distributors and dealers do not obtain authorisation from the passenger vehicle manufacturers.

New Registration of Passenger Vehicle

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

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

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



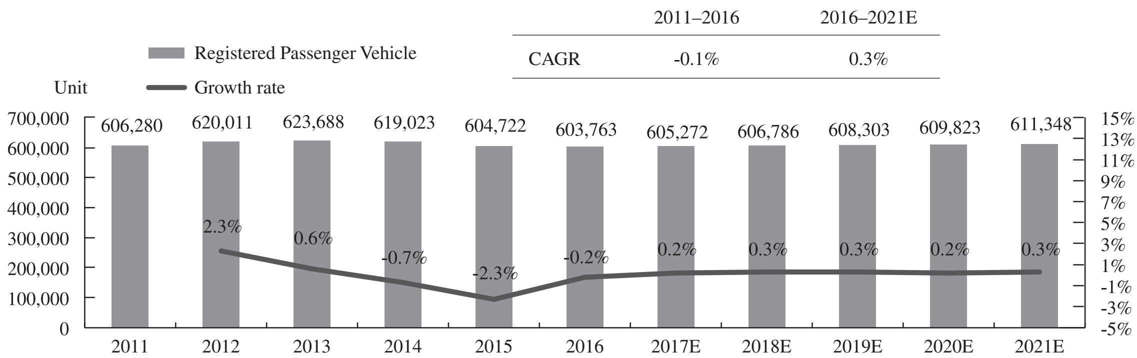
Source: LTA, Frost & Sullivan

Total Number of Registered Passenger Vehicle

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

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

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



Source: LTA, Frost & Sullivan

OVERVIEW OF SINGAPORE PASSENGER VEHICLE INTERIOR MODIFICATION MARKET

Definition of Passenger Vehicle Interior Modification Market

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

- Cabin decoration modification refers to alterations of vehicle interior appearance. Items that are usually modified by passenger vehicle owners are car seats, interior ceiling, mats, etc.

- Electronic accessories modification refers to the process of modifying passenger vehicles' functionality and performance through changes on vehicle electronic interior accessories. Common accessories are navigation system, reverse camera and reverse sensor, digital video recorders, multi-media entertainment system, etc.

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

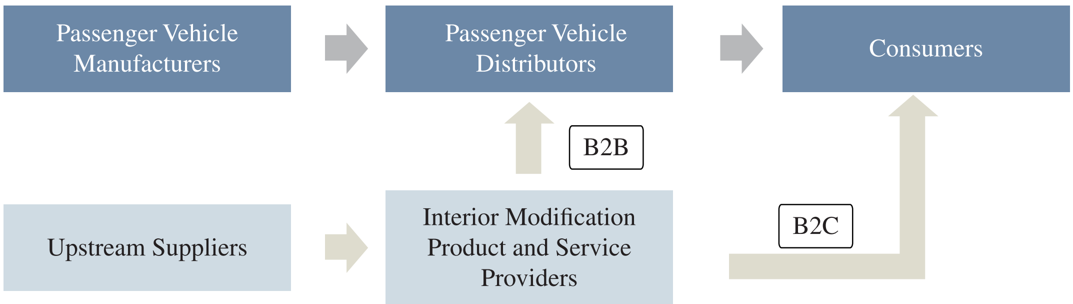
Industry Value Chain

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

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

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

It is common in Singapore that such providers rely on one or several large passenger vehicle distributors and dealers and remain profitable. The reason is that large new passenger vehicle distributors and dealers are usually authorised by multiple passenger vehicle manufacturers, and they are retailing several brands in Singapore. Hence, their customer base covers significant amount of passenger vehicle drivers domestically. Wearnes Automotive, Jardine Cycle & Carriage, and Eurokars are the examples of large distributors that are authorised to retail multiple passenger vehicle brands.



Source: Frost & Sullivan

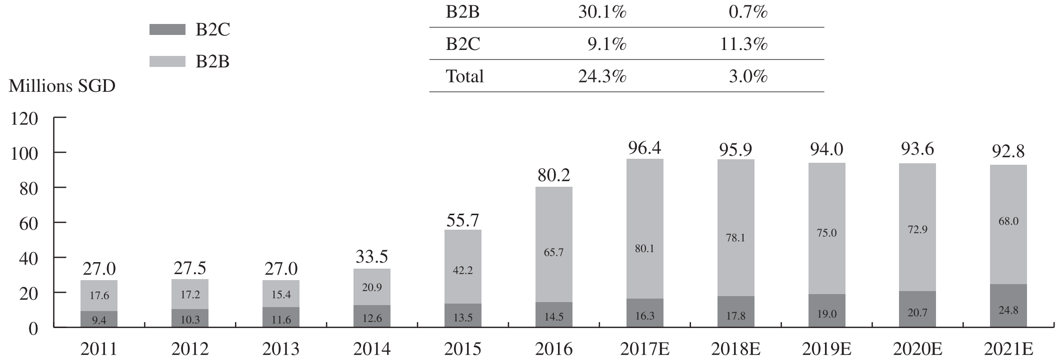
Market Size of Passenger Vehicle Interior Modification Market

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

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

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

CAGR	2011–2016	2016–2021E
B2B	30.1%	0.7%
B2C	9.1%	11.3%
Total	24.3%	3.0%



Source: Frost & Sullivan

Key Market Trends

Wide Acceptance in the Market

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

High Technology

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

Safety

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

Energy Saving

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

Key Market Drivers

Customisation on Passenger Vehicle Interiors is Popular

With the increase in demand for passenger vehicle parts such as seat covers, steering wheel covers, digitalised rearview mirror and car surveillance system, etc., passenger vehicle interior modification is almost a necessity to end users after purchasing passenger vehicles. The demand for customisation is rising due to the more sophisticated requirement of end users, and the escalating income level allows passenger vehicle owners to furnish their vehicle interiors and turn them into tailor made ones based on their driving habits and personal preferences.

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

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

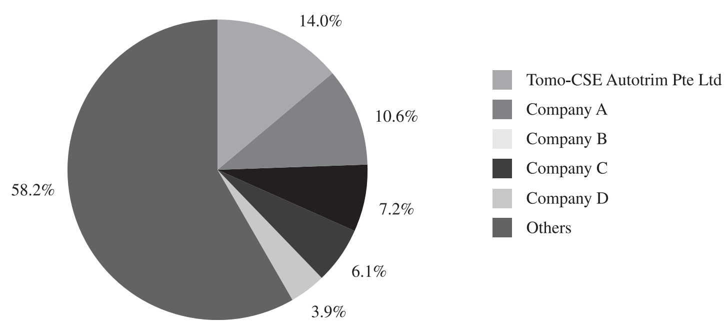
Used Car Market Fuels the Passenger Vehicle Interior Modification Demand

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

Competitive Landscape of Singapore Passenger Vehicle Interior Modification Market

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

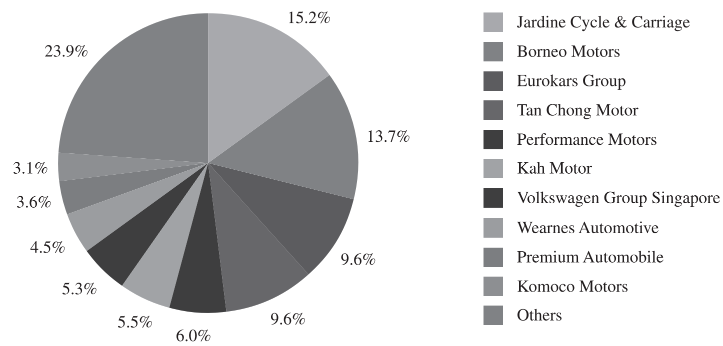
Market Share of Leading PV Interior Modification Service Providers in Singapore by Sales Revenue, 2015



Source: Frost & Sullivan

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

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



Source: Frost & Sullivan

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

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

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

Ranking of Major Providers of Passenger Vehicle Leather Upholstery in Singapore

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

Source: Frost & Sullivan

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

Ranking of Major Providers of Passenger Vehicle Electronic Accessories in Singapore

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

Source: Frost & Sullivan

Major Market Entry Barriers

Limited Skilled Technical Manpower

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

High Capital Investment

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

Business Connection

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

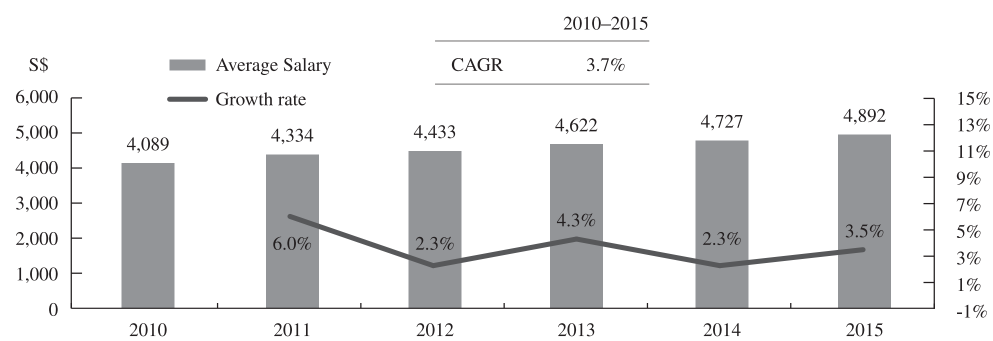
Complex Consumer Demand

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

Labour Cost in Singapore

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

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



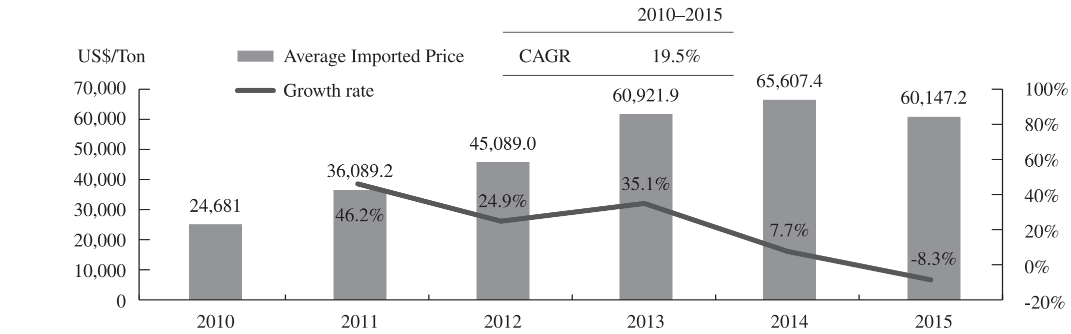
Source: Department of Statistics Singapore, Frost & Sullivan

Price of Major Raw Materials

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

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

Average Price of Leather Imported by Singapore, 2010–2015

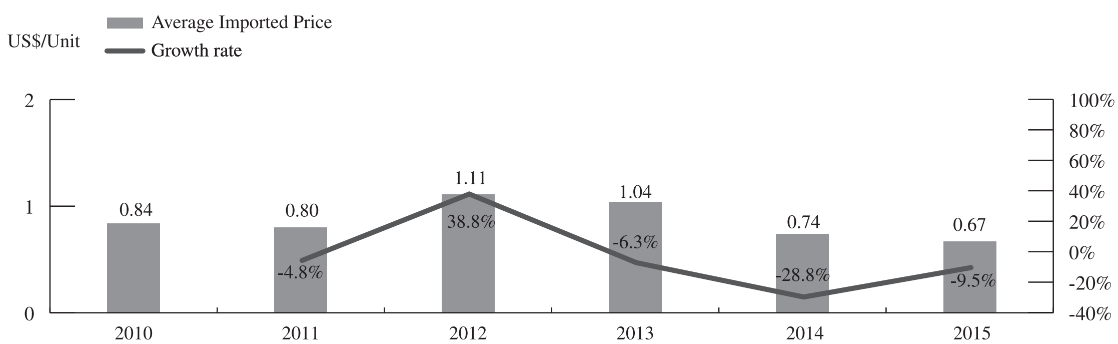


Source: International Trade Centre, Frost & Sullivan

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

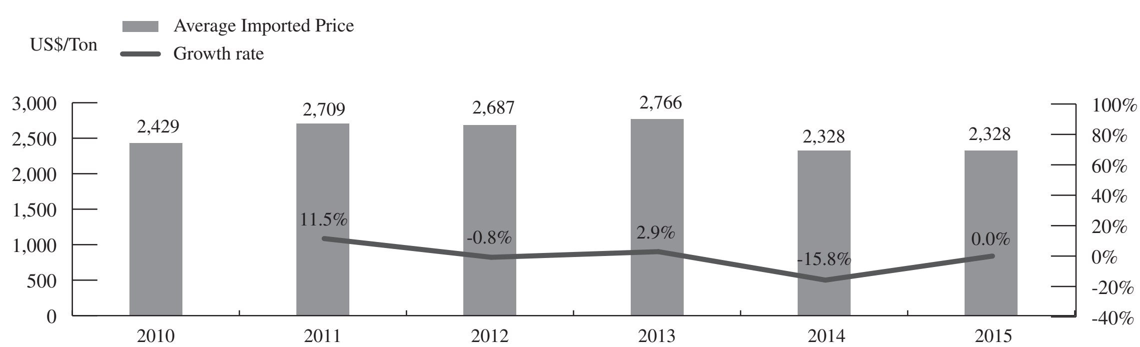
The average imported prices of integrated circuits and ABS plastic both experienced fluctuations during 2010 to 2015 and both decreased in US$ when comparing the figures in 2015 to those in 2010. More specifically, the average imported price of integrated circuits decreased from US$0.84 per unit to US$0.67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

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



Source: International Trade Centre, Frost & Sullivan

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



Source: International Trade Centre, Frost & Sullivan