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OVERVIEW

Our Group is principally engaged in the passenger vehicle, or PV, leather upholstery business and electronic accessories business in Singapore. According to the Frost & Sullivan Report, we were the leading PV interior modification service provider in Singapore in 2016 in terms of sales revenue, with a market share of 16.3%. We also ranked first in both the PV leather upholstery and electronic accessories segments in Singapore by sales revenue in 2016. Our total revenue for the years ended 31 December 2015 and 2016 were approximately S\$11.5 million and S\$13.1 million, respectively. Our total gross profit for the years ended 31 December 2015 and 2016 were approximately S\$4.6 million and S\$5.2 million, respectively. We supply a wide range of PV leather upholstery and electronic accessories primarily to authorised PV distributors and dealers in Singapore, including various subsidiaries of Customer Group A who is one of the leading authorised PV distributors and dealers in Singapore. Revenue from Customer Group A accounted for approximately 79.5% and 78.1% of our total revenue for the years ended 31 December 2015 and 2016, respectively. Please also refer to the sections headed “Risk Factors — A substantial amount of our revenue is derived from sales to Customer Group A, our largest customer during the Track Record Period, and any decrease or loss of business with any of the Largest Customer’s SG Subsidiaries could materially and adversely affect our business, financial condition and results of operations” and “Business — Customers” of this document for further details.

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

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

OUR COMPETITIVE STRENGTHS

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

We have an established operating history of over 20 years and our Group was the leading player in the PV interior modification industry in Singapore, having a market share of approximately 16.3% in terms of sales revenue in 2016 according to the Frost & Sullivan Report. We ranked first in both the PV leather upholstery and electronic accessories segments in Singapore as measured by sales revenue in 2016, according to Frost & Sullivan Report.

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

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dealers in Singapore in 2016, and 11 of them were our customers during the Track Record Period. We believe our long standing relationship with these customers is a testament to the prompt service and quality of our PV leather upholstery and electronic accessories.

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

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

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

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

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

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

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

We believe that our track record of providing quality products and services is evidenced by us not experiencing any major dispute with any of our customers during the Track Record Period and us having, based on the Frost & Sullivan Report, three of the top ten authorised PV distributors and dealers in Singapore (based as sales volume of new PV in 2016) are our customers as at the Latest Practicable Date.

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

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

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

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

OUR BUSINESS STRATEGIES

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

Upgrade existing facilities to continue to grow our business

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

We intend to (i) renovate and redesign our existing facilities, including our existing workshop, showroom and warehouse; (ii) acquire new machinery, including leather cutting machines and upholstery machines and replace tools and equipment; and (iii) acquire commercial vehicles to support our mobile teams. Our Directors consider that our installation capacity is mainly subject to our workshop area and number of technicians. If we were to increase the number of technicians, we may be unable to significantly increase our installation capacity as sufficient workshop space is required to perform the PV leather upholstery and electronic accessories installation services for our customers. Furthermore, our warehouse storage capacity at our current Eastlink premises were already fully utilised as at the end of the Track Record Period. Hence, our Directors consider that it is essential to increase our warehouse space to cater our future business expansion.

During the Track Record Period, we only produced a small volume of leather upholstery due to our dependency on manual works performed by our seamstress as we had limited machinery. By acquiring new automated and enhanced machinery and reducing manual effort required, assuming that the total working hours remain the same, we expect to achieve approximately 20% improvement in our efficiency in terms of in-house production volume of leather upholstery. Such improvement is based on the assumption that the working hours per day and per year of each worker will remain the same, while after an investment of approximately S\$400,000 in the acquisition of new machineries, the average time spent on completing a set of leather upholstery per day of a worker is expected to reduce as a result of the manual processes of drawing and cutting currently being performed by two workers will be assisted by the use of new leather cutting machine, which is based on our estimate with reference to the designed processing time of the new machineries.

We believe such enhancement of our facilities would increase our service capacity, enhance our operational efficiency and service quality, elevate our brand image and expand our revenue stream. We budget the total costs on renovation and redesign of our existing workshop to be approximately HK\$4.9 million and on purchase of machinery and vehicles to be approximately HK\$4.9 million, and we expect this amount to be financed by the funds raised from the [REDACTED] and our internal resources.

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

We currently have one workshop located at Eastlink, Singapore to provide installation services. Our Directors consider that it would be in our best interest to establish additional facilities to cope with our business expansion. We intend to acquire additional premises (i) to serve as warehouse near our current workshop at Eastlink, Singapore; and (ii) to serve as showroom and workshop at a strategic location, in proximity where most vehicles distributors’ and dealers’ outlets are situated, to provide convenience to our existing customers and to capture future demand of potential customers by improving accessibility of our services. The target property type for the new premises will be industrial properties for light or general industrial use. The target sizes of the new premises would be around 300 sq.m. for the warehouse and around 500 sq.m. for the showroom and workshop, depending on the overall suitability and actual purchase cost. The new premises to serve as showroom and workshop will be located at Ubi, Singapore, an automotive belt with an abundance of car-related businesses. The target premises for showroom and workshop should have ample parking spaces and ground floor frontage to better serve our retail customers. Our Directors believe the new facilities will raise public awareness towards our brand and enhance popularity of our products and services.

At the initial stage, we plan to serve new customers who are authorised PV distributors and dealers in our new premises, which is consistent with our business strategy and historical focus. In medium to long run, we believe the presence of our facilities in the car-related business area will attract PV owners and corporate users who are looking for interior modification services for their vehicles. We, therefore, expect that the new showroom and workshop, together with the upgrade of machinery and addition of warehousing spaces, will increase our capability and capacity to serve existing and new customers in both the B2B and B2C markets, which will in turn generate additional revenue for our Group.

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

Expand our customer base by strengthening sales and marketing efforts

According to the Frost & Sullivan Report, the B2B PV interior modification market in 2016 reached S\$65.7 million, representing a CAGR of 30.1%, from 2011 to 2016. It is expected that the B2B market will continue to grow, despite at a lower rate of a CAGR of 0.7% from 2016 to 2021. The lower growth rate is attributed to the expected decrease in the number of newly registered passenger vehicles for the period. Notwithstanding the lower growth rate of the B2B PV interior modification market, our Directors are of the view that our business growth will not be hindered as there are market share and demands in both new PV market and from existing PV owners which our Group has yet to capture.

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We aim to expand and diversify our customer base and our Directors believe that there will still be sufficient demand for our Group’s products and services going forward for the following reasons:

- (i) We are the market leader in the provision of PV leather upholstery and PV electronic accessories in Singapore in terms of sales revenue in 2016, with established track record, high standard of service quality, and long standing relationship with a number of sizable authorised PV distributors and dealers. PV interior modification market in Singapore was comparatively fragmented, with top five players accounting for approximately 47.0% of market share in 2016. During the Track Record Period, we focused our resources largely on serving our few major customers due to their increasing demand for our products and services and our limited installation and service capacity. Despite that we have established relationship and served a total of 11 PV distributors and dealers in Singapore during the Track Record Period, for certain customers, we could only commit to fulfil a portion of their overall demand for our products and services. Further, during the Track Record Period and up to the Latest Practicable Date, there are potential new customers, including one of the top five authorised PV distributors and dealers according to the Frost & Sullivan Report, which have requested us to commit to provide them with our services or indicated demand for our services (the “**New Demands**”). During the Track Record Period, we were offered a contract by a new PV distributor to provide leather upholstery installation services. However, due to the limitation of our installation and service capacity, we did not proceed with the contract. Based on the indicated quantity and selling price, we estimate the value of this contract to be approximately S\$1.2 million a year. For other new potential customers, we are currently in negotiation with a few PV distributors and/or dealers and have yet to reach a projected purchase quantity. In addition, the number of job orders on both leather upholstery and electronic accessories placed by our major existing customers have increased by approximately 20.0% for the four months ended 30 April 2017 as compared to the same period in 2016 (the “**Increased Existing Demands**”). In view of the New Demands and Increased Existing Demands, together with other PV distributors and dealers which we can serve in the future, allowing us to have diversification and expansion by branding, our Directors believe that there will be sufficient demand for our Group’s products and services going forward and our Group as the market leader will be able to expand our market share in the B2B market through the increase in our installation and service capacity;
- (ii) We also intend to proactively expand our customer base in the B2C market. According to the Frost & Sullivan Report, the sales of PV interior modification products and services in the B2C business increased from S\$9.4 million in 2011 to S\$14.5 million in 2016, representing a CAGR of 9.1%. Going forward, it is expected that the B2C market will increase at a CAGR of 11.3% from 2016 to 2021. Currently, some PV owners, who have purchased their vehicles directly from authorised PV distributors and dealers, come to our workshop for after-sales services such as replacement of leather upholstery and update of navigation systems. We believe that it is getting popular for PV owners to furnish their vehicle interiors when the vehicles have been used for a few years. Further, before every used passenger vehicle goes on the road again, we believe it is necessary for PV owners to perform refurbishment and interior modification to ensure the functionality and equip with updated electronic accessories, so as to cater for the demand of new buyers. We anticipate a rising demand on

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PV interior customisation, including replacing leather upholstery and upgrading car accessories, in the B2C market. Accordingly, we intend to aggressively increase our sales and marketing efforts to enhance our market penetration to capture the potential growth;

- (iii) With the development of technology, the types and functionality of electronic accessories products for passenger vehicles are expected to increase to meet the diverse needs of drivers. As some of these products have built-in obsolescence and can be replaced relatively easily, we expect the demand for PV electronic accessories in both the B2B and B2C markets will continue to grow in the future; and
- (iv) We believe that there is a strong demand for our products and services. According to the Frost & Sullivan Report, there are no PV manufacturing plants and all passenger vehicles are imported and then distributed in Singapore. As Singapore is one of the countries with heavy vehicle taxes, including additional registration fee and excise duty, PV distributors and dealers tend to import PVs with only basic accessories installed in order to lower the customs value of the vehicle, so as to minimise the amount of duties required. The excise duty is 20% of the customs value, while the additional registration fee has a tiered rate ranging from 100% to 180% of the customs value. Most PV distributors and dealers in Singapore would work with local interior modification product and service providers, such as our Group, in order to achieve lower cost of products and add value to the business by timely meeting domestic customers’ varying demands.

Our Directors believe that apart from the improvement in technical skills, service quality and servicing and installation capacity, the strengthening of our brand recognition in the market is an area which we will work on further to attract new customers and enhance our customers’ loyalty. We intend to utilise part of the net proceeds to finance advertising, branding and marketing activities for expansion of customer base. We plan to place more advertisements in magazines, social media and websites and participate in motor roadshows to showcase the products that we provide, in particular PV electronic accessories to appeal to our corporate and retail customers. We intend to appoint an external consultant to review and enhance our branding strategies. Leveraging on our extensive experience in the industry and the existing network and relationship with major authorised PV distributors and dealers in Singapore, our Directors believe that additional marketing efforts would greatly enhance our Group’s ability to grasp the potential opportunities in this market.

Expand our product offerings

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

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

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We will continue to explore new products for our electronic accessories business by sourcing new hardware and software products from our existing suppliers and other active suppliers in the market to expand our product offerings. We may explore entering into strategic alliances with our key suppliers or active suppliers in the market to further scout for new electronic accessories such as enhanced multi-media systems and DVRs to offer our customers. In April 2017, we had entered into a non-binding memorandum of understanding with a vehicle telematics solution provider to explore collaboration in developing and providing services on vehicle safety and security electronic accessories in the area of telematics connected vehicles and the associated usage-based insurance solutions for PV distributors and dealers, insurance companies and individual PV owners. As part of our continuous effort to explore and source new products, we secured an authorised dealership on digital video recorders with a new supplier in January 2017. By offering our customers with a wide variety and range of latest electronic accessories, we believe we will be able to attract new customers and enhance our customers’ loyalty. In anticipation of the increasing efforts to further broaden our product offerings, we intend to recruit additional technicians to provide the installation service and customer service personnel to handle the after-sales services. We believe that with the wide choice of products and services and our reputation for quality, we will be able to continue to realise business opportunities and maintain our market position.

Upgrade our information technology system and enhance our overall efficiency

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

Recruit and expand our team of technicians and strengthen staff training

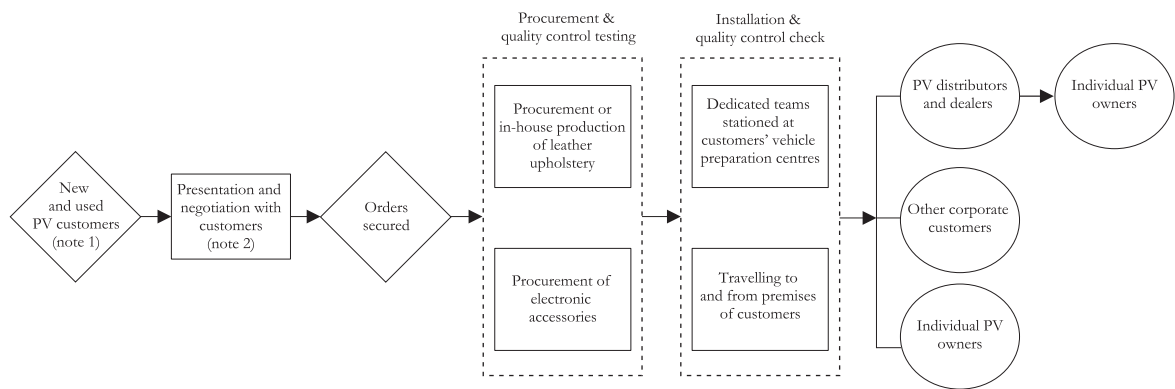
We plan to employ and train a team of new technicians for our leather upholstery business and electronic accessories business, to support our business expansion plans. The increase in the number of technicians will directly enhance our service capacity and thus improve the revenue generated from our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

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

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OUR BUSINESS MODEL

We are principally engaged in the PV leather upholstery business and electronic accessories business in Singapore. Our Group’s revenue is derived from the supply and installation service of PV leather upholstery and electronic accessories during the Track Record Period. We provide our installation services both in our workshop and at our customers’ vehicle preparation centres. We recognise our revenue when our installation services have been delivered to and accepted by our customers. According to the Frost & Sullivan Report, we were the leading PV interior modification service provider in Singapore in 2016 in terms of sales revenue, with a market share of 16.3%. We also ranked first in both the PV leather upholstery and electronic accessories segments in Singapore by sales revenue in 2016. For both of our businesses, our customers are typically authorised PV distributors and dealers in Singapore. According to the Frost & Sullivan Report, there were 34 PV distributors and dealers in Singapore in 2016, and 11 of them were our customers during the Track Record Period. The following chart illustrates our business model:



- Notes:
- (1) Our customers are primarily authorised PV distributors and dealers who sell the new passenger vehicles to end individual buyers. We also provide leather upholstery and electronic accessories to corporate customers such as car rental companies and individual owners of new or used passenger vehicles.
 - (2) Our customers decide on the type or brand of PV leather upholstery or electronic accessories after presentation of the extensive range of products to our customers according to their preferences and requirements. We offer a competitive pricing to our customers, taking into consideration the market availability of the comparable products. We have competitive advantage for certain PV electronic accessories that we have exclusive distributorships and would promote such products to our customers. After acceptance of the price quotations, our customers will place purchase orders with us.

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Revenue

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

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

For the years ended 31 December 2015 and 2016, revenue generated from our leather upholstery business accounted for approximately 31.1% and 34.3% respectively of our total revenue. For the years 31 December 2015 and 2016, revenue generated from the (i) navigation and multimedia sub-segment of our electronic accessories business accounted for approximately 33.0% and 29.8%; and (ii) safety and security sub-segment of our electronic accessories business accounted for approximately 35.9% and 35.9%, respectively of our total revenue.

Gross profit

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

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

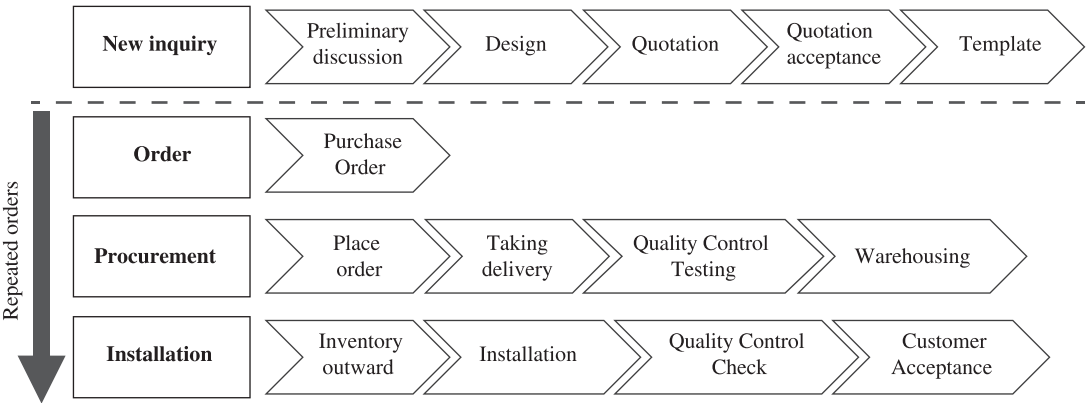
For the years ended 31 December 2015 and 2016, gross profit generated from our leather upholstery business accounted for approximately 23.6% and 25.4%, respectively of our total gross profit. For the years ended 31 December 2015 and 2016, gross profit and gross profit margin generated from the (i) navigation and multimedia sub-segment of our electronic accessories business accounted for

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approximately 30.2% and 27.0%, 36.7% and 36.3%; and (ii) safety and security sub-segment of our electronic accessories business accounted for approximately 46.2% and 47.6%, 51.6% and 53.3%, respectively of our total gross profit and total gross profit margin.

Leather upholstery business

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



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

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

New inquiry

Prior to embarking on a project, we generally have face-to-face discussions with our PV distributors, dealers and/or end customers to ascertain their requirements and preference for the types of leather, colour, design and material combination, for example, two-tone colour for their leather upholstery. Ideas are exchanged and recommendations are made by us to suit our dealers’ and customers’ preference and saleability. While we influence our customers using our expertise and knowledge, the final decision of the selection of upholstery is made by the PV distributors, dealers or customers after such recommendations. Based on our experience, the branding of leather upholstery is not a key deciding factor for our customers. Instead, our customers are usually more quality conscious as to the design and materials used on the type of vehicles being upholstered. For example, luxury cars tend to use premium grade leather or special materials such as nappa leather for their leather upholstery as compared to the mass production cars.

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

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

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

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

Order

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

Procurement

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

Installation

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

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

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

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

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transport them back to our workshop for installation of the passenger vehicle leather upholstery. The upholstered seats, door panels, head rests and arm rests are then transported back to our customers to be re-fitted onto the passenger vehicles.

(b) After-sales:

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

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

Passenger vehicle leather upholstery

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

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



Front seats leather upholstery



Rear seats leather upholstery

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

BUSINESS

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

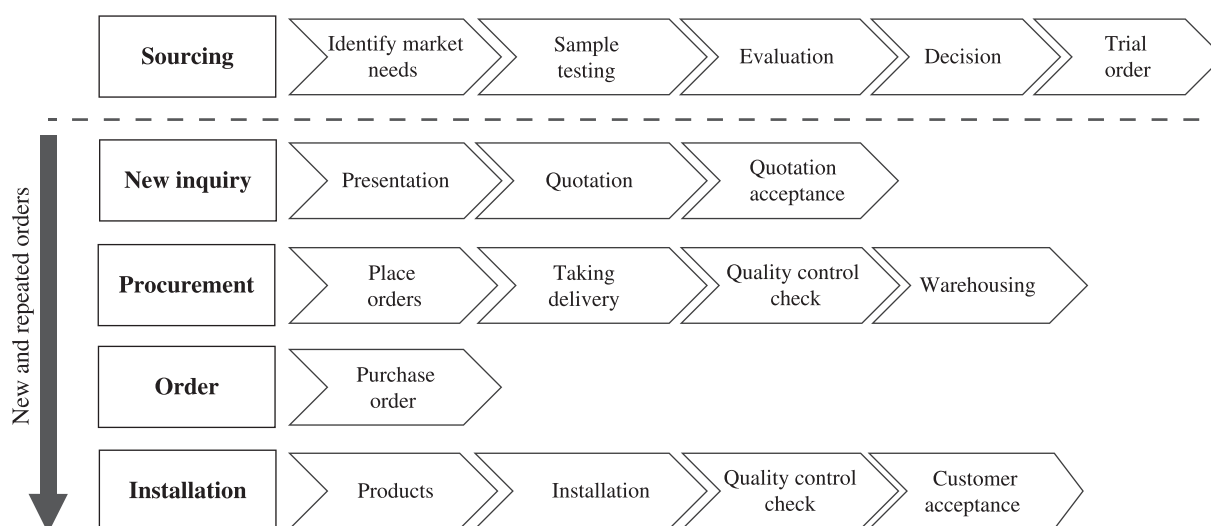
Passenger vehicle leather upholstery products	Range of selling price per set (S\$)
— half leather upholstery ⁽¹⁾	500–1,600
— full leather upholstery ⁽²⁾	700–2,200

Notes:

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

Passenger vehicle electronic accessories business

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



We have an electronic accessories team which is made up of our Product Testing and Quality Control Department and skilled technicians, comprising 17 employees as at the Latest Practicable Date. Our premises are equipped with various equipment which allows our accessories team to install the PV electronic accessories at our workshop. Common workshop tools, such as screwdrivers, cutters, pliers, socket connectors, electronic passenger vehicle diagnostic equipments and electric drills, are used in the installation process.

BUSINESS

Sourcing

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

New inquiry

We adopt a pro-active approach by meeting up regularly to update and present the latest PV electronic accessories that we supply to our customers for selection. We will provide advice on the types of PV electronic accessories that are available in the market and the pros and cons of each product and its features. For example, we would inform our customers of the benefits of having high resolution cameras as well as installing front and rear cameras and if parking mode recordings are necessary. All our advice and recommendations are based on various factors such as the type of vehicles, the preference of the customers and more importantly their budget. The branding of electronic accessories is not the key deciding factor for our customers. Generally, our customers are more concerned about factors such as reliability, features and design of the electronic accessories and after-sales support provided by the vendor. While we influence our customers using our expertise and knowledge, the final decision on which electronic accessories to select is made by our customers after our consultation process. We will install the PV electronic accessories to their passenger vehicle for testing and evaluation.

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

Procurement

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

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

Order

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

BUSINESS

Installation

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

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

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

- (b) After-sales:

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

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

Passenger vehicle electronic accessories

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

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

We have exclusive distributorships in Singapore and/or co-branding arrangements with some of our suppliers. As at the Latest Practicable Date, we had exclusive distributorship and/or co-branding arrangements with four of our suppliers (collectively “**Exclusive Suppliers**”), which covers the supply of DVR, headunit, navigation system and in-car entertainment system.

BUSINESS

A summary of the key terms of an exclusive distributorship agreement with one of the Exclusive Suppliers are set out below:

Duration	Two years
Minimum purchase commitment	Not less than 300 units of a digital video recorder product a month for two consecutive months (“ Minimum Purchase Commitment ”)
Termination	Either party may terminate the agreement with immediate effect in the event of the breach of the agreement by the other party. Each party shall also have the right to cede the agreement with the written consent of the other party, such consent not to be unreasonably withheld
Warranty	Free from defects in workmanship or material for a period of 15 months from date of shipping

During the Track Record Period, we have fulfilled the Minimum Purchase Commitment as required under the exclusive distributorship agreement. Based on the current sales trend of the DVR product, we believe we will fulfill the Minimum Purchase Commitment till the end of the distributorship agreement.

For the other three Exclusive Suppliers, building on our existing relationships, the exclusive distribution rights and/or co-branding arrangements were agreed after commercial arm’s length negotiation and terms were negotiated on a case by case basis. They do not specify the duration of the arrangements, rights and obligations of each party and termination terms. The industry consultant is of the view that it is an industry norm that suppliers grant exclusive distribution right and/or cobranding permission to PV interior modification providers without any standardised or formal agreements in Singapore. Notwithstanding that no formal contract terms were specified, a summary of the key particulars of these exclusive distributorships and/or co-branding arrangement are set out below:

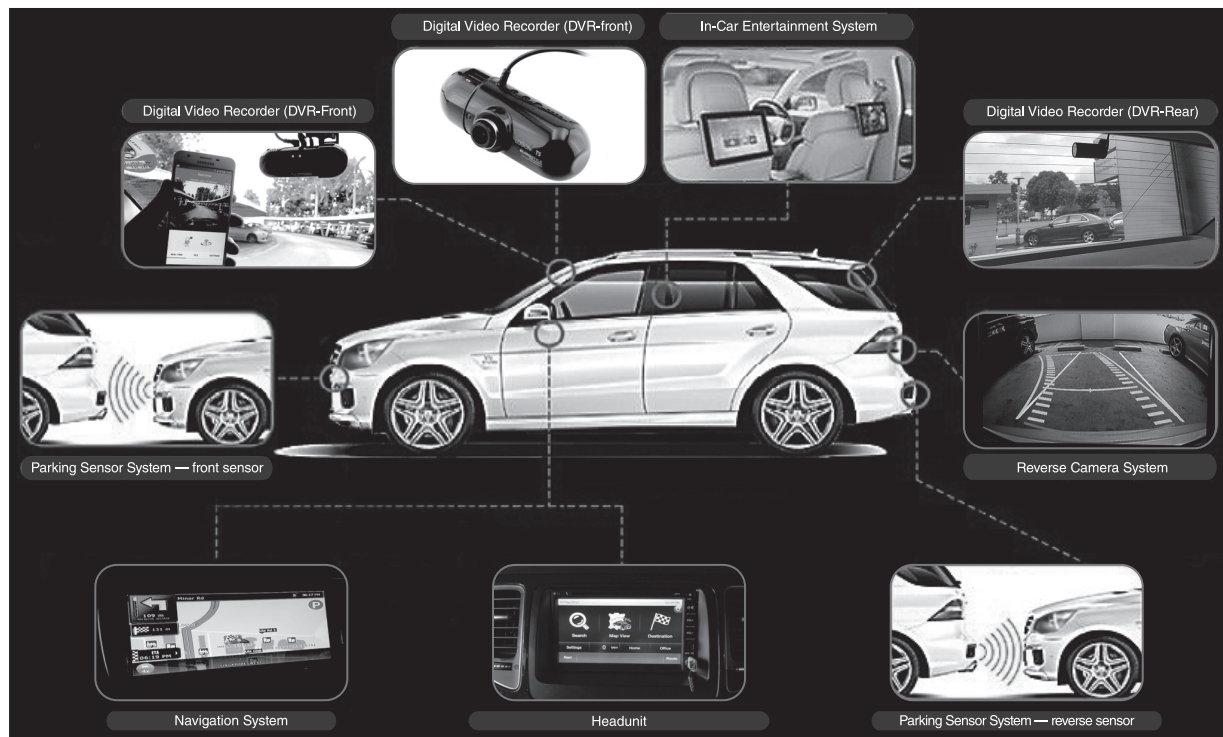
Exclusive Supplier	Type of PV electronic accessories	Particulars of the rights and/or permission
A	Navigation System	Exclusive distribution and co-branding rights in Singapore
B	Headunit	Exclusive dealer for new vehicle markets
C	In-car entertainment system	Exclusive distribution and co-branding permission in Singapore and Malaysia

The revenue and the direct material costs relating to exclusive distributorships and/or co-branded products amounted to approximately S\$2.8 million and approximately S\$1.0 million for year ended 31 December 2015 and approximately S\$3.9 million and approximately S\$1.6 million for year ended 31 December 2016, respectively.

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

BUSINESS

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



Navigation and multimedia accessories

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

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

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

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

BUSINESS

Safety and security accessories

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

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

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

CUSTOMERS

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

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

BUSINESS

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

For the year ended 31 December 2015

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

BUSINESS

For the year ended 31 December 2016

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

Notes:

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

Our Largest Customer — Customer Group A

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

We have well-established and long term relationships with our Largest Customer’s SG Subsidiaries. During the Track Record Period and up to the Latest Practicable Date, we have been providing products and services for PVs distributed by each of our Largest Customer’s SG Subsidiaries for periods ranging from ten to 22 years and have not experienced any material disputes with any of our Largest Customer’s SG Subsidiaries. For the years ended 31 December 2015 and 2016, our revenue derived from our Largest Customer’s SG Subsidiaries amounted to approximately 79.5% and 78.1% of our Group’s total revenue during the same periods, respectively.

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

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

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

Sales Orders and Sales Agreements

Depending on the customers, they may either place orders with us through job order or purchase orders. Our Largest Customer’s SG Subsidiaries will place orders with us through daily job orders, which we will complete the order within the day. Our Largest Customer’s Designated Entity will then provide us with the formal purchase order, wherein we will issue an invoice. As for our other customers, they typically place purchase orders with us directly. We will then issue an invoice upon completion of the job. In accordance with our Group’s credit policy, we generally offer our customers 30 day’s credit terms.

BUSINESS

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

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

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

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

Customer Concentration

For the years ended 31 December 2015 and 2016, our five largest customers accounted for approximately 93.9% and 92.1% of our sales, respectively. In particular, our largest customer accounted for approximately 79.5% and 78.1% of our sales, respectively. Despite such customer concentration, our Directors consider that we are not reliant on any single customer and capable of maintaining our sales in the future because:

- (i) *Singapore passenger vehicle market dominated by a few large vehicle dealership groups:* According to the Frost & Sullivan Report, the Singapore authorised passenger vehicle market is dominated by a few large passenger vehicle distributors and dealers with the top ten

BUSINESS

players accounting for approximately 71.9% of the market by sales volume of new passenger vehicles in 2016. Frost & Sullivan is also of the view that it is common in Singapore that passenger vehicle interior modification service providers rely on one or several large passenger vehicle distributors and dealers and remain profitable. The reason is that large new PV distributors are usually authorised by multiple car manufacturers, and they retail several brands in Singapore. Hence, their customer base covers a significant amount of passenger vehicle drivers domestically. During the Track Record Period, we provided services to three of the top ten authorised PV distributors and dealers, which accounted for approximately 21.6% of the market by sales volume of new passenger vehicles in 2016. For the two years ended 31 December 2016, out of the 34 authorised PV distributors and dealers in Singapore, excluding the Customer Group A, ten of them were our customers, representing approximately 11.7% of the market share. Of these ten authorised PV distributors and dealers, our relationship with them were up to 16 years and we have not experienced any material dispute with any of them. Furthermore, we also supplied similar PV leather upholstery and electronic accessories that we supplied to the Largest Customer's SG Subsidiaries to our other customers during the Track Record Period;

- (ii) *Mutual and complementary relationship between Customer Group A and us:* Customer Group A and us have a complementary relationship. We are the market leader in the provision of PV leather upholstery and passenger vehicle electronic accessories in Singapore. We have been working closely with each of the Largest Customer's SG Subsidiaries for periods ranging from ten to 22 years, supplying products that meet their requirements and providing quality and prompt services. It is generally difficult for new entrants to the market with insufficient industry expertise and servicing capacity to attain to such position. Our sales and marketing team works closely with the various brand heads of sales of each Largest Customer's SG Subsidiary. Job orders are secured by our Group from each of the Largest Customer's SG Subsidiaries separately and independently of other Largest Customer's SG Subsidiaries. To the best of our Directors' knowledge, our Group is one of the few authorised suppliers engaged by Customer Group A to provide and install leather upholstery and electronic accessories for their PVs. Based on our Directors' knowledge, information and belief, services rendered to Customer Group A during the Track Record Period represented a majority portion of their purchases of similar products and services for interior modification on PVs sold by them in Singapore. Such belief was supported by a written confirmation provided by the director of operations of Customer Group A and reaffirmed by the general observations of our installation staff stationed at the vehicle preparation centre of Customer Group A. Based on the experience of our Directors, we understand that all service providers have assigned installation staff team to be stationed at the vehicle preparation centre of Customer Group A to conduct installation work. During the Track Record Period, we placed significantly more installation staff at the vehicle preparation centre of Customer Group A than other service providers. Further, our subsisting framework agreements with our Largest Customer's Designated Entity cover the supply and installation of leather upholstery for numerous PV models carried by Customer Group A and a wide range of electronic accessories that fits in various PV makes and models. We believe this comprehensive range of products and services that our Group can offer is well recognised by Customer Group A and we are typically invited to provide our products to their new PV models. We believe that we are well positioned and capable to provide our products and services to Customer Group A. Furthermore, according to the Frost & Sullivan Report, Customer Group A is one of the

BUSINESS

largest authorised PV distributors and dealers in Singapore. Our Directors believe that we are one of the few leading providers in Singapore which are able to meet the quantity and quality requirements by each of the Largest Customer’s SG Subsidiaries;

- (iii) *Directly working with each Largest Customer’s SG Subsidiary:* Our sales and marketing team has been working directly with each of the Largest Customer’s SG Subsidiaries. Each Largest Customer’s SG Subsidiary evaluate our products, negotiate prices with us and makes their own decisions in selecting our products for their respective brands under them. The relevant brand head of sales of each Largest Customer’s SG Subsidiary has the discretion in determining which authorised supplier to procure products and services from; and job orders are secured by us from each Largest Customer’s SG Subsidiary separately and independently;
- (iv) *Wide range of product mix:* Unlike competitors that only provide one or two passenger vehicle interior modification products, our Group offers a wide range of product mix that covers both cabin decoration (leather upholstery) and electronic accessories (reverse cameras, sensors, video recorders, navigation systems and others). In addition, our Group also provides installation and after-sales services. According to the Frost & Sullivan Report, our Group is the market leader in the provision of passenger vehicle leather upholstery and electronic accessories in Singapore in terms of revenue in 2016. Our Group’s quality services and products gave us an edge over other competitors in providing stable business cooperation and support for the authorised passenger vehicle distributors and dealers;
- (v) *Actively expanding customer base and product offering:* We continue to diversify our customer base by establishing long-term relationship with other customers and offer new products to increase sales to other customers. We regularly engage our customers to discuss about their requirements and feedbacks on our products and services to ensure our customers’ satisfaction. We maintain constant contact with our customers’ senior management as well as their working teams. We promote new designs or customisation of leather upholstery and new electronic accessories with enhanced features to our customers at attractive rates to encourage recurring business. In terms of expanding our customer base, some PV owners who have purchased their PV directly from our authorised passenger vehicle distributors and dealers customers come to our workshops for after-sales services such as maintenance, map and software updates for their navigation systems. We believe that we will be able to secure such direct PV owners as customers after the warranty period of their passenger vehicles. Furthermore, we are expanding our services to provide leather upholstery and electronic accessories to second hand or used passenger vehicle owners. We also had provided and may continue to provide PV leather upholstery and PV electronic accessories to other corporate customers, such as car rental companies. Adding such a customer demographic to our customer base would provide us with an additional revenue stream thus reducing reliance on our existing authorised PV distributors and dealers customers. Please refer to the section headed “Business — Our Business Strategies” for more information; and
- (vi) *Alternative customers:* In relation to Customer Group A, our largest customer for the Track Record Period, we are not the exclusive supplier to the Largest Customer’s SG Subsidiaries and not restricted from selling similar products or providing similar services to other customers. In the unlikely event that our relationship with the Largest Customer’s SG Subsidiaries is terminated for whatever reason, our Group can still work with other customers

BUSINESS

as we offer a wide range of products and services that are compatible to many car makes. For example, we provided products and services to ten other authorised PV distributors and dealers in Singapore.

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

Pricing policy and credit terms

We generally price our passenger vehicle leather upholstery products taking into consideration of factors such as the type of leather, complexity of design and work, volume and lead time. In accordance with our Group’s credit policy, we generally offer our customers 30 day’s credit terms and payment is made by way of cheques and telegraphic transfers. Based on our internal control policy, in order to minimise credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and monitoring procedures on credit quality of trade receivables and credit history of debtors. Before accepting any new customer, we assess the potential customer’s credit quality and define a credit limits for them. Credit limits attributable to customers and credit term granted to customers are reviewed regularly by the chief executive officer on an ongoing basis. Our sales and marketing manager will evaluate customers’ validity through ACRA Portal for customer’s company details, including length of incorporation, activity status and bankruptcy record, paid-up share capital amount and annual filing records. We seek to maintain strict control over our outstanding receivables to minimise credit risk. We typically do not require any collateral as security. During the Track Record Period, we did not have any bad debt or provisions made for our trade receivables. For further details, please refer to the section headed “Financial Information — Discussion of Certain Items from the Combined Balance Sheets — Trade and other receivables” in this document. For our retail customers, being individual passenger vehicle owners, payment is made in full on delivery by way of cash or credit card, but we may require deposits for PV leather upholstery products.

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

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

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SUPPLIERS

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

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

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

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

BUSINESS

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

For the year ended 31 December 2015

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

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For the year ended 31 December 2016

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

Agreement with suppliers

Our Group generally do not enter into any long-term supply agreements with our suppliers. During the Track Record Period, we have entered into a written exclusive distribution agreement and a co-branding agreement with Supplier C, and have been granted exclusive distribution rights in writing by Supplier G. Except for Supplier C and Supplier G, we do not have any exclusive distribution and/or co-branding arrangements with our five largest suppliers during the Track Record Period. We generally place orders directly with (i) our suppliers for our leather upholstery business to procure leather hides and leather upholstery for our PV seat covers; and (ii) our suppliers of various PV electronic accessories. Certain of our suppliers grant us exclusive distributorships for their PV electronic accessories in Singapore.

Credit terms and payment method

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

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INVENTORY MANAGEMENT

Our inventory includes leather hides, custom-fitted passenger vehicle leather upholstery for PV seat covers; and electronics accessories. Our inventory is stored in at our warehouses and at our storage area at the vehicle preparation centre of our Largest Customer’s SG Subsidiaries as we customarily conduct our installation works at their premises. We closely monitor our inventory to achieve a balance of cost efficiency, quality control and timely distribution. We strive to maintain optimal inventory levels to meet customer demands and manage our working capital requirements to finance our inventory.

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

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

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

INFORMATION TECHNOLOGY

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

QUALITY CONTROL AND MANAGEMENT

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

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

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

In line with our belief in the importance of providing quality products and services to our customers, we have put in place procedures to ensure that complaints from our customers are handled promptly. Our customers may complain by contacting our technicians and such complaints are initially handled by our technicians, and if they are unable to resolve it, our senior management will proceed with the follow-up action. All resolutions of complaints will be clearly and promptly communicated to our customers. Furthermore, in order to provide quality customer services and minimise the number of complaints, we provide trainings to technicians on skills, professional knowledge and latest developments.

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

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

Warranty

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

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

SEASONALITY

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

SALES AND MARKETING

We strive to associate our “Eurostyle” brand and image with quality and reliability. We showcase our brand in some of the PV electronic accessories we provide, sometimes via co-branding arrangements with some of our suppliers’. Save for the foregoing, we currently do not focus on carrying out

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advertising and promotion activities as in general for our industry, our sales leads come from word-of-mouth, reputation and our established track record. Instead, we focus on delivering prompt and quality service to our customers. Going forward, we intend to aggressively increase our sales and marketing efforts through placing more advertisements in magazines, social media and websites and participating in motor roadshows to showcase the products that we provide, in particular PV electronic accessories to appeal to our retail customers. We intend to improve our branding strategies and we intend to appoint an external consultant in this regard. See “Future Plans and [REDACTED]” in this document for further information on our plan on strengthening sales and marketing efforts.

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

EMPLOYEES

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

As at 31 December 2015 and 2016, we had a total of 48 and 51 employees respectively. As at the Latest Practicable Date, we have 54 employees, of which 23 are Singapore citizens and/or Singapore permanent residents. Of those employees who are not Singapore citizens or Singapore permanent residents, 31 were holders of work permits. During the Track Record Period, our Directors confirmed that our Group had not experienced any material difficulties or failure in applying for or renewing work permits of our employees. All our employees work in Singapore, except for two part-time employees, the rest are employed on a full time basis and are not members of any labour union.

Based on the legal opinion issued by our Singapore Legal Advisers, as at the Latest Practicable Date, the aforesaid 31 holders of work permits are from approved source countries and have obtained the relevant work permit as required under the Employment of Foreign Manpower Act (Chapter 91A) of Singapore. Please refer to the section entitled “Regulatory Overview — Employment of Foreign Manpower” of this document for further details.

Function	Number of employees
Management and Sales and Marketing	6
Finance and Administrative	6
Product Testing and Quality Control ⁽¹⁾	3
Technicians	39
Total	54

Note:

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

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

Hiring

When hiring, we take into account factors such as our development strategies and expansion plans, industry trends and the labour market environment. We also look for candidates who possess experience relevant to our business and the particular positions we are looking to fill. We usually communicate internally on any open position to source for referral of any possible candidate and/or publish hiring information in the newspapers. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant difficulty in engaging new personnel.

Training

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

Remuneration

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

PROPERTIES

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

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Properties which we own

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

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

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

Leased property

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

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

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

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

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RESEARCH AND DEVELOPMENT

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

COMPETITION

According to the Frost & Sullivan Report, the passenger vehicle interior modification market in Singapore is comparatively fragmented with the top five players accounting for approximately 47.0% of the market share in 2016. We were the leading service provider in PV interior modification market in Singapore with a market share of approximately 16.3% in 2016 in terms of sales revenue.

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

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

INSURANCE

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

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

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INTELLECTUAL PROPERTY RIGHTS

Trademark

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

Domain name

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

LICENCES AND PERMITS

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

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

Note:

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

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

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

WORK SAFETY AND ENVIRONMENTAL MATTERS

Our operations are subject to regulations and periodic examinations by local work safety authorities in Singapore. If we fail to comply with such laws and regulations, we may be subject to penalties, including but not limited to fines, orders or variation or revocation of relevant approvals,

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permit or licences. We are fully committed to providing a safe and healthy environment for our employees. We adopt a workplace safety and health policy which includes work safety procedures such as emergency responses and use of protective equipment. We have also implemented a risk management plan in accordance with the Workplace Safety and Health (Risk Management) Regulation, which includes risks assessment and risks prevention at our workshop, and to ensure safety measures and policies are in place. During the Track Record Period, we had no material safety incidents. Based on the legal opinion issued by our Singapore Legal Advisers, as at the Latest Practicable Date, we have obtained all licences, permits and approvals which are material for the conduct of our business operations under the applicable laws, rules or regulations in Singapore.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

Board and audit committee

Our Board oversees and manages the overall risks associated with our business. We have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. The audit committee consists of three members namely Mr. Clarence Tan Kum Wah, Mr. Lim Cher Hong and Mr. Gary Chan Ka Leung. For the qualifications and experience of the members of the audit committee, please refer to the section entitled “Directors, Senior Management and Employees” of this document. We have also prepared written terms of reference in compliance with the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

Internal Control

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

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INTERNAL CONTROL MEASURES

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

- (i) our Directors have attended trainings conducted by our Hong Kong legal advisers, Robertsons, on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the GEM Listing Rules and our Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;
- (ii) our Group has appointed Fortune Financial Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the GEM Listing Rules and all other applicable laws, rules, codes and guidelines;
- (iii) our Group has established an audit committee with written terms of reference in accordance with Appendix 15 to the GEM Listing Rules to review the internal control system and procedures for compliance with the requirements of the GEM Listing Rules and other applicable laws, rules and regulations;
- (iv) our Group has also established a corporate governance committee to monitor ongoing corporate governance and to ensure that the principles set out in Appendix 15 to the GEM Listing Rules are followed and complied with; and
- (v) our Group will from time to time, appoint external legal advisers, where applicable, to advise on compliance with and provide us with updates on the changes in the GEM Listing Rules and the applicable laws, regulations and rules from time to time to see if any change is required to be made with our operations and/or internal control policy.