
FUTURE PLANS AND [REDACTED]

BUSINESS OBJECTIVES AND STRATEGIES

Our primary business objectives are to strengthen our market position as a leading passenger vehicle interior modification service provider in Singapore, grow our existing business, enhance our product offerings, expand our customer base and achieve sustainable growth. Please refer to the section entitled “Business — Our Business Strategies” of this document for details.

[REDACTED]

We estimate that the aggregate net proceeds of the [REDACTED] (after deducting [REDACTED] fees and estimated expenses payable by us in connection with the [REDACTED]) based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]) will be approximately HK\$59.1 million (equivalent to approximately S\$10.7 million). We intend to apply the net proceeds in the following manner:

Upgrade existing facilities and acquire new premises

We intend to use approximately [REDACTED]% of our total estimated net proceeds from the [REDACTED], being approximately HK\$[REDACTED] million (equivalent to approximately S\$[REDACTED] million) to finance the upgrade on existing facilities and acquisition of new premises. Details of our intended use of HK\$29.6 million are as follows:

- Approximately HK\$[REDACTED] million (equivalent to approximately S\$[REDACTED] million) for renovation and redesign of our existing workshop, showroom, and warehouse;
- Approximately HK\$[REDACTED] million (equivalent to approximately S\$[REDACTED] million) for purchasing (i) leather cutting machine and upholstery machinery; and (ii) commercial vehicles to support our mobile teams;
- Approximately HK\$[REDACTED] million (equivalent to approximately S\$[REDACTED] million) for acquiring new premises (i) at a strategic location to serve as showroom and workshop, and (ii) in close proximity to our existing facilities to serve as warehouse; and
- Approximately HK\$[REDACTED] million (equivalent to approximately S\$[REDACTED] million) for renovation of the new premises.

Our Directors expect that such investments in property, plant and equipment will significantly increase our Group’s assets, and our Group’s return on assets may be lower at the initial stage as it would take time for the new premises to accumulate customers. Upon the upgrade of existing facilities and acquisition of new machinery and premises, additional depreciation expenses will be incurred in accordance to the accounting policies adopted by our Group.

Strengthen our sales and marketing efforts

We intend to use approximately [REDACTED]% of our total estimated net proceeds from the [REDACTED], being approximately HK\$[REDACTED] million (equivalent to approximately S\$[REDACTED] million) to finance advertising, branding and marketing activities for expansion of customer base. We intend to increase our advertising efforts through media coverage in magazines,

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social media and websites and participating in motor roadshows to facilitate our strategy to expand our market share in the B2C market. We also intend to appoint an external consultant to review and enhance our branding and marketing strategies.

Expand our product offerings

We intend to set aside approximately [REDACTED]% of our total estimated net proceeds from the [REDACTED], being approximately HK\$[REDACTED] million (equivalent to approximately S\$[REDACTED] million) 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, please refer to section entitled “Business — Our Business Strategies — Expand our product offerings” in this document for more information.

Our Directors consider that there will be an increasing demand in both the Group’s existing and new products and believe that expanding and diversifying the Group’s product variety will strengthen the Group’s competitiveness and its market position in the PV interior modification industry. We also plan to develop strategic alliances with suppliers and product manufacturers. In anticipation of the increasing efforts to further broaden our product offerings, we intend to recruit additional sales and marketing personnel and technicians. Furthermore, we intend to employ additional customer service personnel to handle the after-sales services. We will also focus on training and retaining current and new hires to equip them with the skills and knowledge of the products.

Upgrade and integrate of our information technology system

We intend to use approximately [REDACTED]% of our total estimated net proceeds from the [REDACTED], being approximately HK\$[REDACTED] million (equivalent to approximately S\$[REDACTED] million) to finance the upgrade of our current information technology system, such as new ERP system, point of sale system, data storage, electronic documentation, cloud backup storage, upgrade of accounting systems, implement mobile job order and warehouse and inventory tracking management system, to enhance our overall efficiency.

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Working capital and general corporate use

The balance of approximately [REDACTED]% of our total estimative net proceeds from the [REDACTED], being approximately HK\$[REDACTED] million (equivalent to approximately S\$[REDACTED] million) will be used as working capital and funding for other general corporate purposes according to our business plans.

For the period from the Latest Practicable Date to 31 December 2019, our net proceeds will be applied as follows:

	From the Latest Practicable Date to 31 December 2017	For the six month period ending 30 June 2018	For the six month period ending 31 December 2018	For the six month period ending 30 June 2019	For the six month period ending 31 December 2019	Total	Approximate % of net proceeds
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Upgrade existing facilities, acquire new machinery and premises	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Strengthen our sales and marketing efforts	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expand our product offerings	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Upgrade and integrate of our information technology system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital and general corporate use	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

If the [REDACTED] is set at the high-end of the indicative [REDACTED] at HK\$[REDACTED] per [REDACTED], the net proceeds from the [REDACTED] will increase to approximately HK\$[REDACTED] million. If the [REDACTED] is set at the low-end of the indicative [REDACTED] at HK\$[REDACTED] per [REDACTED], the net proceeds from the [REDACTED] will decrease to approximately HK\$[REDACTED] million. To the extent that our net proceeds are either more or less than expected, for instance, in the event that the [REDACTED] is set at the high-end of the indicative [REDACTED] or the [REDACTED] is set at the low-end of the indicative [REDACTED], we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

The possible [REDACTED] outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the [REDACTED] as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

According to the current estimates, our Group expects that the net proceeds from the issue of new Shares under the [REDACTED] in the sum of approximately HK\$[REDACTED] million will be sufficient to finance the implementation of our Group’s current future plans up to 31 December 2019. In the event that the net proceeds from the [REDACTED] are insufficient to finance the expenditure as mentioned above, the shortfall will be financed by the internal resources and/or bank borrowings of our Group. To the extent that the net proceeds from the [REDACTED] are not immediately applied to the above purposes, we intend to deposit the proceeds into short-term interest-bearing deposits with authorised financial institutions.

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Bases and key assumptions of the business plans

The business objectives and strategies set out by our Directors are based on the following bases and assumptions:

- Our Group will have sufficient financial resources to meet the planned capital and operating expenditure and business development requirements during the period to which the business objectives relate;
- There will be no material change in existing laws and regulations, or other government policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- There will be no change in the funding requirement for each of the implementation plans described under the paragraph headed “Implementation plans” in this section from the amount as estimated by our Directors;
- There will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- There will be no disasters, natural, political, legal or otherwise, which would materially disrupt the business or operations of our Group;
- Our Group will not be materially affected by the risk factors as set out under the section headed “Risk factors” in this document;
- Our Group will be able to retain key staff in the management and the main operational departments; and
- Our Group will be able to continue our operations in substantially the same manner as our Group had been operated during the Track Record Period and our Group will also be able to carry out our development plans without disruptions adversely affecting our operations or business objectives in any way.

IMPLEMENTATION PLANS

In order to implement the business objectives and strategies described above, the implementation plans of our Group are set forth below for each of the six-month periods commencing from the Latest Practicable Date until 31 December 2019. Investors should note that the following implementation plans are formulated on the bases and assumptions set out in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set out in section entitled “Risk Factors” of this document.

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For the period from the Latest Practicable Date to 31 December 2017

Business strategies	Implementation plans	[REDACTED]
Upgrade existing facilities, acquire new machinery and premises	- Acquire new tools and leather cutting machine - Fit out heavy duty shelving in storage area of existing premises for PV electronic accessories and leather upholstery	- HK\$[REDACTED] million - HK\$[REDACTED] million
Strengthen our sales and marketing efforts	(i) Engage a branding consultant to redefine our branding identity for B2C market and advertising our PV leather upholstery and electronic accessories to appeal to corporate and retail customers; and (ii) Visit, make presentation to, and develop relationships with existing and potential customers	HK\$[REDACTED] million
Expand our product offerings	(i) Conduct market and design search on market trend of new PV leather upholstery and electronic accessories; and (ii) Recruit and train additional sales and marketing personnel, technicians and customer service personnel	HK\$[REDACTED] million
Upgrade and integrate of our information technology system	Upgrade existing servers and implement a new ERP system, electronic documentation and cloud back up storage	HK\$[REDACTED] million

For the six months ending 30 June 2018

Business strategies	Implementation plans	[REDACTED]
Upgrade existing facilities, acquire new machinery and premises	- Acquire and renovate new premises to use as a showroom and workshop for PV leather upholstery and electronic accessories - Buy new machinery such as sewing machine, lockstitch machine, pattern stitcher, skiving machine and embroidery machine; and commercial vehicles - Upgrade existing PV leather upholstery work bay, renovate showroom and replace dated office furniture, upgrading safety and security features and electrical wiring of work area	- HK\$[REDACTED] million - HK\$[REDACTED] million - HK\$[REDACTED] million
Strengthen our sales and marketing efforts	Place advertisements in magazines, social media, websites and participate in motor roadshows to increase awareness of our brand and showcase our products	HK\$[REDACTED] million
Expand our product offerings	(i) Source new products and create more interactive demonstration displays for presentation to existing and potential customers; and (ii) Recruit and train additional sales and marketing personnel, technicians and customer service personnel	HK\$[REDACTED] million
Upgrade and integrate of information technology system	Migrate accounting record to new ERP system and implement automated payroll system, point of sale system and fixed assets management system	HK\$[REDACTED] million

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For the six months ending 31 December 2018

<u>Business strategies</u>	<u>Implementation plans</u>	<u>[REDACTED]</u>
Upgrade existing facilities, acquire new machinery and premises	• (i) Acquire and renovate the new premises to use as a warehouse; and (ii) Implement logistics management to maximise effective use of space, equipment and labour	• HK\$[REDACTED] million
Strengthen our sales and marketing efforts	• Enhance and improve our website content with more product information through digital search and social media and printing of brochures for our retail customers	• HK\$[REDACTED] million
Expand our product offerings	• (i) Continue to source new products and create more interactive demonstration displays for presentation to existing and potential customers; and (ii) Focus on retaining and training current and new hires to equip them with skills and knowledge of the products	• HK\$[REDACTED] million
Upgrade and integrate of information technology system	• Implement mobile job order system and warehouse and inventory tracking system	• HK\$[REDACTED] million

For the six months ending 30 June 2019

<u>Business strategies</u>	<u>Implementation plans</u>	<u>[REDACTED]</u>
Strengthen our sales and marketing efforts	• (i) Implement online platform to provide direct sales to retail customers; and (ii) Increase advertising expenditure and organise live demonstrations of our passenger vehicle electronic accessories in our showroom and continue to participate in motor roadshows	• HK\$[REDACTED] million
Expand our product offerings	• (i) Continue to source new products and create more interactive demonstration displays for presentation to existing and potential customers; and (ii) Focus on retaining and training current and new hires to equip them with skills and knowledge of the products	• HK\$[REDACTED] million
Upgrade and integrate of information technology system	• Maintenance of information technology systems and addition of equipment at headquarters and vehicle preparation centres and/or mobile van fleet	• HK\$[REDACTED] million

For the six months ending 31 December 2019

<u>Business strategies</u>	<u>Implementation plans</u>	<u>[REDACTED]</u>
Strengthen our sales and marketing efforts	• (i) Continue to maintain on-line platform to reach out to more retail customers; and (ii) continue to advertise and participate in marketing events as well as activities held by PV distributors and dealers	• HK\$[REDACTED] million
Expand our product offerings	• (i) Continue to source new products and create more interactive demonstration displays for presentation to existing and potential customers; and (ii) Focus on retaining and training current and new hires to equip them with skills and knowledge of the products	• HK\$[REDACTED] million

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REASONS FOR [REDACTED] IN HONG KONG

Our Directors believe that the [REDACTED] will facilitate the implementation of our business strategies as set out in “Business — Our Business Strategies”. The net proceeds from the [REDACTED] will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position as a leading PV leather upholstery and electronic accessories provider in Singapore and expand our market share.

Our Company is applying for [REDACTED] in Hong Kong because it has a high level of internationalisation, maturity in the global financial market, with sufficient institutional capital and funds following the companies listed in Hong Kong. Our Group’s business is based in Singapore and we had considered the Singapore securities market in terms of raising funds there prior to commencing the [REDACTED]. Our Directors are of the view that the appetite for initial public offerings in Singapore in recent years has been relatively scarce and the aftermarket trading and/or secondary fundraising is thin. Given the more diversified types of businesses listing, the strong ability of fundraising and the wide range of investor base in the Hong Kong stock market, the Hong Kong [REDACTED] was contemplated. Therefore, our Company believes that listed companies in Hong Kong generally have a high liquidity, greater exposure to a broad research coverage and investment community, which would facilitate our future fund raising should such need arise.

During the Track Record Period, cost of materials and staff costs, including direct labour, staff salaries and directors’ remuneration, were the most significant costs in our operations. Our current financial resources primarily comprise cash generated from operations and banking facilities. For the years ended 31 December 2015 and 2016, we generated revenue of approximately S\$11.5 million and S\$13.1 million, respectively, and of which approximate 61.2% and 62.5%, respectively, were committed to meet the obligations incurred on cost of materials and staff costs in our existing operations. As at 30 April 2017, our Group has approximately S\$4.2 million of general working capital on hand and unutilised banking facilities of approximately S\$1.4 million, which is in total equivalent to approximately HK\$30.8 million. Such amount is insufficient to finance our Group’s expansion plans and future growth. The capital expenditure requirement for our Group’s implementation plans is expected to amount to approximately HK\$69.8 million of which approximately HK\$53.3 million or approximately 76.4% is expected to be financed by the net proceeds from the [REDACTED]. In addition, although the principal reason is to raise funds through the [REDACTED], a [REDACTED] would provide ancillary benefits to our Group as set out below. Our Company had contemplated all viable options for fund raising including bank borrowings prior to proceeding with the [REDACTED]. However, bank borrowings entail borrowing costs, provision of security by our Group and/or personally from the Controlling Shareholders, Mr. David Siew and Ms. Lee. Given that the Controlling Shareholders have personally financed our Group throughout the years to grow our Group’s business, it is prudent to relieve them of future pressure to finance or secure our Group and as such the [REDACTED] is considered.

Our Directors believe that the [REDACTED] would help to raise our Group’s brand awareness and publicity on an international level, making our Company’s services known to new potential customers. In addition, our Directors also believe that customers may prefer to do business with a listed company given its reputation, [REDACTED] status, public financial disclosures and general regulatory supervision by relevant regulatory bodies.

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Our Directors further believe that the [REDACTED] would:

- provide a platform for our Group to access the capital markets for future secondary fund raising through the issuance of shares and for debt securities, which could involve lower financing cost as opposed to interest-bearing bank loans, and which can also provide funding sources to cater for our Group’s further expansion plans (other than those future plans stated in this document) as and when necessary. Furthermore, the ability to obtain bank financing is generally easier and cheaper with a listed entity as compared to a private entity;
- enhance our internal control and corporate governance practices, and increase the transparency in our operations and financial reporting. Our Directors are of the view that the [REDACTED] will help advertise our Group to existing and potential customers and suppliers and could also increase our customers’ and suppliers’ confidence in the quality of our products and services which may in turn attract potential customers;
- strengthen our competitiveness in the market through the [REDACTED]. It is expected that the brand recognition of our Group can be broaden through the [REDACTED] and our corporate profile will be enhanced, which in turn will help attract more customers. Our Directors believe that having a [REDACTED] status can enhance our corporate image and credibility with the public and potential business partners, and help our Group develop the B2C market with more media exposure;
- broaden our shareholder base and enhance the liquidity of the Shares, as compared to the limited liquidity of the Shares that are privately held before the [REDACTED];
- enable our Company to offer an equity-based incentive programme (such as a share option scheme) to our employees that correlates more directly to their performance in our Group’s business. Our Company would therefore be in a better position to motivate our employees with incentive programmes that are closely aligned with the objective of creating value for our Shareholders; and

Having considered the benefits above, although the amount of the expenses for the [REDACTED] represents a significant proportion of the gross proceeds from the [REDACTED], our Directors believe that the [REDACTED] is beneficial to us in the long run.