ZHENG LI HOLDINGS LIMITED
正力控股有限公司

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8283

2016
Annual Report

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This report, for which the directors (the "Directors") of Zheng Li Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading, and all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Kelvin LIM
Mr. CHUA Boon Hou (Cai Wenhao)
Mr. LIM Kong Joo

NON-EXECUTIVE DIRECTOR

Mr. DU Xianjie

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. POK Mee Yau
Mr. LIU Ji
Mr. LEUNG Yiu Cho

AUDIT COMMITTEE

Mr. LIU Ji *(Chairman)*
Mr. LEUNG Yiu Cho
Ms. POK Mee Yau

REMUNERATION COMMITTEE

Mr. LEUNG Yiu Cho *(Chairman)*
Mr. LIU Ji
Mr. Kelvin LIM

NOMINATION COMMITTEE

Ms. POK Mee Yau *(Chairman)*
Mr. LIU Ji
Mr. Kelvin LIM

RISK MANAGEMENT COMMITTEE

Ms. POK Mee Yau *(Chairman)*
Mr. Kelvin LIM
Mr. LIM Kong Joo
Mr. CHUA Boon Hou (Cai Wenhao)

COMPLIANCE OFFICER

Mr. CHUA Boon Hou (Cai Wenhao)

COMPANY SECRETARY

Mr. WONG Cheung Ki Johnny, FCPA, ACIS, ACS

AUTHORISED REPRESENTATIVES

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Mr. WONG Cheung Ki Johnny, FCPA, ACIS, ACS

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STOCK CODE

8283

COMPANY'S WEBSITE ADDRESS

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board") of Zheng Li Holdings Limited (the "Company") and together with its subsidiaries, (the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2016.

2016 is a milestone year for the Group as the Company's shares ("Shares") were successfully listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 November 2016 (the "Listing"). This has strengthened our corporate image and source of capital of our Group.

Our Group recorded a modest growth in revenue of approximately S$1.0 million or 6.2% from approximately S$15.8 million for the year ended 31 December 2015 to approximately S$16.8 million for the year ended 31 December 2016. Our Group recorded a loss for the year ended 31 December 2016 of approximately S$0.6 million, while a profit of approximately S$1.7 million was recorded for the year ended 31 December 2015. This is mainly due to (i) expenses related to the Listing and (ii) increase in employee-related expenses. Should the expenses related to the Listing be excluded, our Group would have been recorded a profit of approximately S$2.2 million for the year ended 31 December 2016.

Moving forward in 2017, the overall economic environment in Singapore will continue to be challenging given the global tightening of financial conditions, volatility in capital flows, and potential stresses in the regional corporate sector. Whilst economic restructuring remains work-in-progress and the Singapore government continues to encourage enterprises to move towards raising productivity growth. We remain cautiously optimistic on the outlook of 2017 and will steadfastly stand by our guiding principle on leveraging on our strengths – our service, our brands

and our talents to remain competitive in the marketplace. With the steady growth in demand for high-quality after-sales service, our Group is constantly looking for opportunities to expand our services and products, increase our customer base to continue to maintain our position as one of the leading automotive service providers.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all my employees and management team, customers, shareholders and business associates for the support through the years. I look forward to celebrate another year of success with all of you.

Yours sincerely,
Kelvin LIM
Chairman and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group continued to maintain its position as a leading passenger car service provider in Singapore in 2016. Revenue in 2016 saw a modest growth of S$1.0 million or 6.2% from S$15.8 million for the year ended 31 December 2015 to approximately S$16.8 million for the year ended 31 December 2016. While the Group recorded a loss in 2016 of approximately S$0.6 million, this is mainly due to (i) non-recurring expenses related to the Listing of approximately S$2.8 million, and (ii) an increase in employee related expenses. Excluding the Listing expenses, the Group would have recorded a profit of S$2.2 million for the year ended 31 December 2016.

We have over 14 years of experience in the passenger car service industry, and offer a comprehensive range of passenger car services including (i) maintenance and repair services; and (ii) modification, tuning and grooming services. Maintenance and repair services continue to be a key focus of the Group, contributing 77.6% and 80.2% of total revenue for 2016 and 2015 respectively. Our consistent performance is due to our capability to maintain and repair a wide range of brands of passenger cars in Singapore as we are equipped with diagnostic equipment for carrying out such services. We modify and tune mainly luxury and ultra-luxury passenger cars, providing services ranging from aesthetic modifications including installing bodykits, to performance modifications including lowering the suspension of passenger cars and replacing the engine control unit. We also sell passenger car spare parts and accessories in Singapore and export to other countries, such as Malaysia, Indonesia, United Kingdom, People's Republic of China and Thailand. We have continued to expand our range of tuning products and services to meet new customer demands, and this segment has realised a growth of 20.4% in revenue from approximately S$3.1 million in 2015 to approximately S$3.8 million in 2016.

Our management is confident of the Group's strong performance in our key market Singapore due to the Group's competitive strengths which include: (i) we are a leading automotive service provider in Singapore with comprehensive service offerings and the capability to repair a wide range of brands of passenger cars; (ii) we collaborate with established car dealers in Singapore and have strong relationships with car tuning parts suppliers; (iii) we focus our modification, tuning and grooming services on luxury and ultra-luxury passenger cars, which has strengthened our brand name; (iv) we focus on providing high quality customer service and stringent quality control; and (v) we have an experienced senior management team who is supported by a team of talented and well-trained technicians.

As disclosed in the prospectus of the Company dated 31 October 2016 (the "Prospectus"), we ceased our operations at one of our two service centres located at part of Unit 01-01, Units 01-02, 01-03 and 01-04, 2 Kung Chong Road, Singapore 159140 in September 2016 and relocated these operations (the "Relocation") to our other service centres located at 1 Commonwealth Lane, Units 01-11, 01-12 and 01-13 One Commonwealth, Singapore 149544 (the "Commonwealth Service Centre") and Units 01-11, 01-14, 01-15 and 01-16, Block 176, Sin Ming Drive, Sin Ming Autocare, Singapore 575721 ("Sin Ming Service Centre"). Since the Relocation, our Commonwealth Service Centre has served as our office and showroom, where our customers may drop off and collect their passenger cars, and our Sin Ming Service Centre has served as our primary workshop. Based on our consistent revenue for 2015 and 2016, we do not expect these changes to impact the operations of the Group in any significant way.

Outlook

The Company's shares ("Shares") were successfully listed on GEM on 8 November 2016 ("Listing Date") by way of placing of a total of 125,000,000 Shares, at the placing price of HK$0.40 per share (the "Placing"). The amount of the net proceeds from the Placing received by the Company was approximately HK$24.6 million.

The Directors believe that the Listing would facilitate the implementation of our business strategies. The Listing would (i) allow the Group a platform to access the capital markets for future secondary fund-raising that would have lower financing costs; (ii) enhance the market reputation and brand awareness of our Group with the public and potential business partners; (iii) enhance our internal control and corporate governance practices, resulting in increased customers' and suppliers' confidence and attract potential customers to us.

In 2017, the market conditions in Singapore will continue to be challenging due to an expected fall in number of registered vehicles. Despite the uncertainty, our management remains cautiously optimistic of the outlook for the group in 2017, due to: (i) our collaborations with established car dealers in Singapore; (ii) because the decrease is expected to be of mild impact to our service offerings; and (iii) the Group have established a loyal customer base of repeat customers.

The Group aims to use the proceeds from the Listing to increase our customer base in the highly fragmented passenger car maintenance and repair market, by enhancing our servicing capacity, market reputation and service quality. Using the additional capital raised from the Placing, the Group will pursue the following key business strategies: (i) continue to strengthen our leading market position in Singapore and expand our servicing capacity and customer base; (ii) continue to increase the brands of car tuning parts that we offer; (iii) further strengthen our brand, operational efficiency and sales and marketing efforts, and improve our customer service quality; and (iv) continue to attract, train and retain skilled employees to support our future growth and expansion.

In the first quarter of 2017, the Group secured additional units of workshops at Sin Ming Autocity, a new 8 storey complex located across our existing Sin Ming Service Centre. The new workshops will include accident repair facilities such as aluminium welding centre, spray painting preparation area, a section for Chromax low emission spray painting activities, low bake oven and wheels alignment system. This expansion will be funded by internal resources. This is to cater for the Group's expansion of its services to include car bodywork involving panel beating and spray painting which we subcontracted previously. This expansion allows the Group to qualify as an approved reporting centre ("ARC") and authorised repairer ("Authorised Repairer") for insurance companies. An insured who is involved in any car accident, will report the accident to the insurance company's ARC within 24 hours or by the next working day. As an Authorised Repairer, our Group shall render repair services in respect of the insured vehicles. Our Group is in advance discussions with certain insurance companies on the appointment.

Moving forward the Group will focus on maintaining its leading position in the Singapore market, while looking for new opportunities to expand its service and product offerings, as customer demand and trends. Our management will continue to forge stronger bonds with our customers, suppliers and working partners to continue to provide the premier passenger car service in the Singapore passenger car market.

Financial review

Revenue

Revenue of our Group increased by approximately S$1.0 million or 6.2% from approximately S$15.8 million for the year ended 31 December 2015 to approximately S$16.8 million for the year ended 31 December 2016. The increase was mainly contributed by (i) the maintenance and repair services segment as a result of the higher number of passenger cars that we maintained and repaired; and (ii) the increase in the volume of trading of spare parts and accessories under our modification, tuning and grooming services and trading of spare parts and accessories segment.

Employee benefits expense

Our Group's employee benefits expense increased by approximately S$0.7 million or 19.6% from approximately S$3.6 million for the year ended 31 December 2015 to approximately S$4.3 million for year ended 31 December 2016. This is mainly due to (i) the salary increments for existing employees during 2016; (ii) the joining of our chief financial officer in January 2016 for the preparation of the Listing; (iii) the salary increments of certain senior management members of our Group in 2016 to reflect their efforts for the preparation of the Listing and their ongoing senior management role in our Group. In addition, there was an increase in employee headcount in the second half of 2015 to prepare for our expansion plan which have a full year impact in 2016 as compared to part of a year in 2015.

Other expenses

Our Group's other expenses increased by approximately S$3.2 million or 163.9% from approximately S$1.9 million for the year ended 31 December 2015 to approximately S$5.1 million for the year ended 31 December 2016. This is mainly due to non-recurring expenses related to the Listing of approximately S$2.8 million being recorded for the year ended 31 December 2016.

(Loss)/profit for the year

Our Group recorded a loss for the year ended 31 December 2016 of approximately S$0.6 million, while a profit of approximately S$1.7 million was recorded for the year ended 31 December 2015. This was mainly due to: (i) expenses related to the Listing of approximately S$2.8 million recorded during the year ended 31 December 2016 as compared with S$0.3 million during the year ended 31 December 2015; and (ii) an increase in employee-related expenses. Along with (i) the salary increments for existing employees during 2016; (ii) the joining of our chief financial officer in January 2016 for the preparation of the Listing; (iii) the salary increments of certain senior management members of our Group in 2016 to reflect their efforts for the preparation of the Listing and their ongoing senior management role in our Group, our employee benefit expenses increased from approximately S$3.6 million for the year ended 31 December 2015 to approximately S$4.3 million for the year ended 31 December 2016. Our Group would have recorded a profit of approximately S$2.2 million for the year ended 31 December 2016 should the expenses related to the Listing be excluded.

Liquidity, financial and capital resources

Cash position

Our cash and bank balances amounted to approximately S$6.8 million and S$5.8 million as at 31 December 2016 and 2015 respectively. The functional currency of our Group is the Singapore dollar. As at 31 December 2016, 55.0% of our Group's cash and bank balances was denominated in the functional currency (31 December 2015: 99.8%) and the remaining 45.0% (31 December 2015: 0.2%) in other currencies, mainly the Hong Kong dollar.

Our Group's primary sources of funds during the year was cash generated from financing activities. Our Group had net cash outflow from operating activities of approximately S$5.2 million mainly due to (i) expenses relating to the Listing of approximately S$2.8 million which resulted in the Group recording a loss before tax of approximately S$0.3 million; and (ii) increases in trade and other receivables mainly arising from claims made to insurance companies pending finalisation of assessments, customers who are granted credit terms and deposits made to secure additional units of workshop. We had net cash generated from financing activities of approximately S$7.3 million mainly from the issuance of shares during the year ended 31 December 2016.

Particulars of the Group's bank facilities as at 31 December 2016 are set out in note 21 to the financial statements.

Gearing ratio

Gearing ratio is measured by interest-bearing bank and other borrowings divided by the total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratio is 0.1 as at 31 December 2016 (31 December 2015: 0.3).

Risk of exchange rate fluctuation

The Group has currency exposures arising from sales, purchases and interest-bearing bank and other borrowings that are denominated in a currency other than the functional currency of the Group. No hedge has been taken up to mitigate this exposure.

Information on the foreign currency sensitivity analysis of the Group are set out in note 29 to the financial statements.

Charge on assets

The Group's long term loan are secured by a legal mortgage of the Group's freehold property which had a carrying amount of approximately S$2.4 million as at 31 December 2016 (31 December 2015: S$2.4 million). Details of the Group's charge on assets as at 31 December 2016 are set out in note 21 to the financial statements.

Employees and remuneration policy

As at 31 December 2016, the Group had a total number of 65 full-time employees (31 December 2015: 72). The remuneration packages of all employees are determined based on factors such as the employees' individual qualifications, contribution to the Group, performance and years of work experience.

The Group provides ongoing training to our staff in order to enhance their technical skills and product knowledge and to provide them with updates with regards to industry quality and work safety standards.

Comparison of business objectives with actual business progress

An analysis comparing the business objectives as set out in the Prospectus for the period from 21 October 2016, being the latest practicable date as defined in the Prospectus, to 31 December 2016 with the Group's actual business progress for the Review Period is set out as follows:

Business Objective	Actual Progress
Expand our servicing capacity	The Group leased Unit 01-16 Sin Ming Drive which was operational in 3rd Quarter of 2016.
Expand and train our workforce	As part of the Group's plan to increase our service output, the Group employed additional 3 staff including 1 operations staff, 1 sales and marketing staff and 1 administrative staff. The Group will continue to identify suitable candidates and increase headcount for the business expansion.
Strengthen our brand and sales and marketing	To improve our branding strategies, the Group appointed an external consultant to refine our brand identity and enhance our communication strategy. During the review period, the Group enhanced its website and appointed an external vendor to design an application for a loyalty program for the Group.
Strengthen our operational efficiency	As at 31 December 2016, the Group upgraded its payroll system and procured and placed deposit for a new ERP system specialised for automotive industry. This system allows the Group to, amongst others, (a) maximise the efficiency of our service centres by providing tools designed to provide real-time service centre management; and (b) have access to up-to-date information by utilising a report generator that can be used for creating ad-hoc reports based on our specific needs and requirements.
To lower our gearing ratio	As at 31 December 2016, the Group was arranging to repay the short term Singapore dollar bank loan. This loan shall be fully repaid in 1st quarter of 2017.

Use of proceeds from the Placing

The amount of the net proceeds from the Placing received by the Company, after deducting the expenses related to the Placing paid by the Company, is approximately HK$24.6 million. The Company intends to apply such net proceeds for the following purposes:

- approximately HK$14.1 million, representing approximately 57.4% of the net proceeds from the Placing, will be used for expanding our servicing capacity;
- approximately HK$4.3 million, representing approximately 17.5% of the net proceeds from the Placing, will be used for expanding and training the workforce of the Group;
- approximately HK$2.4 million, representing approximately 9.9% of the net proceeds from the Placing, will be used for strengthening the brand and sales and marketing of the Group;
- approximately HK$2.1 million, representing approximately 8.4% of the net proceeds from the Placing, will be used for upgrading the informational technology system of the Group;
- approximately HK$1.3 million, representing approximately 5.3% of the net proceeds from the Placing, will be used for partial repayment of bank loan; and
- approximately HK$0.4 million, representing approximately 1.5% of the net proceeds from the Placing, will be used as working capital and for general corporate purposes.

For further details of the Group's intended use of the net proceeds from the Placing, please refer to "Future Plans and Use of Proceeds" in the Prospectus.

From the Listing Date to 31 December 2016, the Group has applied the net proceeds as follows:

	Planned amount utilised up to 31 December 2016 HK$ million	Actual usage HK$ million
Expand our servicing capacity	0.8	0.6
Expand and train our workforce	0.2	0.2
Strengthen our brand and sales and marketing	0.5	0.5
Upgrade our information technology system	1.1	0.2
Partial repayment of bank loan	1.4	—
Working capital and general corporate purposes	0.1	0.1
	4.1	1.6

As at the date of this report, the unutilised net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong and Singapore.

The Directors regularly evaluates the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. Since the Listing Date to 31 December 2016, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of 7 Directors, comprising 3 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. The functions and duties of our Board include convening shareholders' meetings, reporting on our Board's work at these meetings, implementing the resolutions passed at these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, our Board is responsible for exercising other powers, functions and duties in accordance with the articles of association of the Company (the "Articles of Association").

Executives Directors

Mr. Kelvin LIM ("Mr. Lim"), aged 40, is the founder of our Group, chairman of our Board, chief executive officer of our Group and executive Director. He is primarily responsible for our Company's strategic planning and long term business planning, overall business development and operation management, and other significant matters arising from our business operations. Mr. Lim was appointed to our Board on 17 March 2016. Mr. Lim is also the director of MBM Wheelpower Pte. Ltd ("MBMW"), KBS Motorsports Pte. Ltd. ("KBS") and MBM International Holdings Pte. Ltd. ("MBMI"). He has over 15 years of experience in the automobile industry, with extensive industry and technical experiences.

Before setting out to establish our Group, Mr. Lim was a technician with Cycle & Carriage, Singapore, a member of the Jardine Cycle & Carriage Group in August 1999. Mr. Lim accumulated his experience and honed his expertise within the automobile industry since his time at Cycle & Carriage.

Mr. Lim graduated from Ngee Ann Polytechnic of Singapore with a diploma in mechanical engineering in August 1997.

Mr. Lim was a director of The Modern Carriage Pte. Ltd. which was incorporated on 18 March 2010 in Singapore, prior to its dissolution. Due to cessation of business and the lack of any significant business operations since its incorporation, The Modern Carriage Pte. Ltd. was struck off on 5 July 2012.

Mr. Lim is the brother-in-law of Mr. CHUA Boon Hou (Cai Wenhao).

Mr. CHUA Boon Hou (Cai Wenhao) (蔡文豪) ("Mr. Chua"), aged 44, is our chief operating officer and executive Director. He is primarily responsible for the management and operation of our Group such as implementing strategic management and monitoring key performance indicators of our Group. His other responsibilities include the day-to-day management of the operational aspects of both KBS and MBMW. He currently heads the human resource department of our Group and is responsible for the recruitment of new talents into our Group. Mr. Chua was appointed to our Board on 13 April 2016. He has over 8 years of experience in the automobile industry.

Mr. Chua graduated from Nanyang Technological University, Singapore, in January 1997 with a degree of bachelor of business. Shortly after his graduation, Mr. Chua obtained a diploma in life insurance from the Singapore College Insurance in May 1999. Besides being a Fellow to the Life Management Institute (FLMI) in May 1997, he also became an associate to the Academy of Life Underwriting (AALU) on July 2006. Prior to joining our Group in April 2008, Mr. Chua had experience with several insurance companies including Great Eastern Life Insurance, Prudential Assurance Company Singapore (Pte) Limited and NTUC Income Insurance Co-operative Limited.

In view of his work experience, Mr. Chua was invited to our Group as an administrative manager in charge of the administration and customer services of our Group in April 2008. Over the years, he rose steadily through the ranks becoming our human resource manager in January 2012 and appointed as our chief operating officer in December 2015 in recognition for his continuous contribution to our Group.

Mr. Chua was a director of The Modern Carriage Pte. Ltd. which was incorporated on 18 March 2010 in Singapore, prior to its dissolution. Due to cessation of business and the lack of any significant business operations since its incorporation, The Modern Carriage Pte. Ltd. was struck off on 5 July 2012.

Mr. Chua is the brother-in-law of Mr. Kelvin LIM.

Mr. LIM Kong Joo (林光裕) ("Mr. KJ Lim"), aged 32, is our sales and marketing director, and executive Director. He is primarily responsible for the sales and marketing strategy of our Group. Mr. KJ Lim was appointed to our Board in 13 April 2016. He has over 8 years of experience in the automotive industry, with extensive industry experience.

Mr. KJ Lim joined our Group in June 2007 and was responsible for the sales of our Group's services. He steadily rose through the ranks within our Group over the years and was appointed as our sales manager in June 2012.

Mr. KJ Lim graduated with a bachelor of science degree in biotechnology in August 2007 from the University of Tunku Abdul Rahman, Malaysia.

Non-executive Director

Mr. DU Xianjie (杜先杰) ("Mr. Du"), aged 31, is our non-executive Director. He was appointed to our Board on 13 April 2016 and does not hold any position with other members of our Group.

Mr. Du has extensive experiences in corporate financing and strategy, equity investment and capital market work. Mr. Du worked as an associate in the audit and assurance department of Price Waterhouse Coopers Ltd. from September 2008 to October 2010. In January 2011, Mr. Du joined Fuyuan Group Co., Limited (孚元集團有限公司) as its chief financial officer and left in September 2013. Between November 2012 and October 2014, Mr. Du joined Industrial Securities Co., Ltd. (Southern China Branch) (興業證券有限公司) as a director of its corporate and institutional department. Since January 2015, Mr. Du has been the chief investment officer of Duke Capital Management Co., Ltd., responsible for its research and investment in Hong Kong and the PRC capital markets.

Mr. Du graduated from the City University of Hong Kong and obtained a bachelor's degree in business administration in accountancy in November 2008. He obtained a master of business administration from The Chinese University of Hong Kong upon completion of the programme (weekend mode) in November 2015.

Independent non-executive Directors

Ms. POK Mee Yau (卜美佑) ("Ms. Pok"), aged 38, is an independent non-executive Director. She was appointed to our Board on 21 October 2016 and does not hold any position with other members of our Group. Ms. Pok has extensive experience as an advocate and solicitor in Singapore. Ms. Pok served six months of pupillage with the equity capital markets practice group of WongPartnership LLP in Singapore between May 2004 and July 2004 and, subsequently, from December 2004 to May 2005. Following her pupillage, she then worked as an associate at WongPartnership LLP in Singapore from May 2005 to June 2007. Shortly after which in July 2007, she joined DLA Piper Singapore Pte. Ltd.. Ms. Pok joined Eversheds LLP from December 2008 to April 2013 as a senior associate of its corporate department. Between May 2013 and December 2013, she was an associate with Solitaire LLP before joining JLC Advisor LLP in January 2014 where her practice includes mergers and acquisitions, joint ventures and corporate finance.

Ms. Pok was previously a director of Applied Bionics Private Limited which was incorporated on 16 November 2002 in Singapore, prior to its dissolution. Due to cessation of business, Applied Bionics Private Limited was struck off on 13 June 2014. She was also an independent director of Transcorp Holdings Limited (Stock Code: SGX:T19), a company listed on the Singapore Stock Exchange from April 2015 to October 2016.

Ms. Pok graduated from the University College London, United Kingdom in August 2001 with a bachelor of laws degree. She obtained her masters of laws degree from the University College London, United Kingdom in November 2002. Ms. Pok completed her graduate diploma in Singapore law in June 2004. She is admitted as an advocate and solicitor of the supreme court of Singapore in May 2005 and a solicitor of England and Wales in December 2007.

Ms. Pok has been an independent director of ecoWise Holdings Limited (Stock Code: SGX:5CT) since August 2016 and Imperium Crown Limited (Stock Code: SGX:5HT) since February 2017. Both companies are listed on the Singapore Stock Exchange.

Mr. LIU Ji (劉驥) ("Mr. Liu"), aged 38, is an independent non-executive Director. He was appointed to our Board on 21 October 2016 and does not hold any position with other members of our Group. Mr. Liu has over twelve years of experience in auditing. He is a member of the Institute of Singapore Chartered Accountants.

Mr. Liu has been a consultant at Ellis Botsworth Advisory since September 2011 where he provides financial advisory and consultation service to private companies involved in initial public offering or reverse takeovers, public companies' fund-raisings and secondary debts/equity financing. Prior to joining Ellis Botsworth Advisory, Mr. Liu started his employment with Deloitte & Touche LLP in May 2003 before leaving as an audit manager in September 2011. In his capacity as an audit manager, Mr. Liu was assigned to various large-sized audit clients. His duties and responsibilities include managing and monitoring the progress of audit engagements. Mr. Liu was also responsible for the review of audit fieldwork, including reviewing and evaluating of the internal accounting control systems and the preparation of financial statements and reports to management on such findings.

In 2003 he obtained a bachelor of science degree in applied accounting from Oxford Brookes University.

Mr. LEUNG Yiu Cho (梁耀祖) ("Mr. Leung"), aged 37, is an independent non-executive Director. He was appointed to our Board on 21 October 2016 and does not hold any position with other members of our Group. Mr. Leung has over 10 years of experience financial management and corporate finance.

Mr. Leung joined Artini China Co. Ltd. ("Artini") (Stock Code: 0789), a company listed on the main board of the Stock Exchange ("Main Board"), as its chief financial officer in December 2013, has been its investment principal since October 2015 and an executive director in December 2016. Mr. Leung is responsible for monitoring corporate finance transactions and investors relationship. Prior to that, Mr. Leung started his employment with Deloitte Touche Tohmatsu in June 2005 as a semi-senior accountant before leaving as a senior accountant in July 2006. Between July 2006 and August 2007, he was the assistant financial controller of Ta Yang Group Holdings Limited (大洋集團有限公司) (Stock Code: 1991), a company listed on the Main Board. From August 2007 to September 2008, Mr. Leung joined CSC Securities (HK) Limited (群益證券(香港)有限公司) as an executive in the investment banking department. Mr. Leung was the financial controller and board secretary of United Technology Holdings Company Limited (聯合科技控股有限公司) in 2011. From March 2012 to August 2013, he joined Highland Asset Management Corporation (漢鎰資產管理股份有限公司) as its senior deputy finance manager and board secretary.

Senior Management

Mr. LEE Tiang Soon (李展存) ("Mr. Lee"), aged 46, is our chief financial officer and joined our Group in January 2016. He has over 20 years of experience in the fields of accounting and auditing as well as business and financial advisory and is responsible for the corporate financial function of our Group and matters relating to accounting, financial administration and the compliance and reporting obligations of our Group.

Mr. Lee is currently an executive director of CW Group Holdings Limited (Stock Code: 1322) ("CW Group") which is listed on the Main Board. He joined CW Group in April 2008 as the chief financial officer and was appointed as an executive director to CW Group in April 2013.

Mr. Lee entered into an employment contract with us for a term of employment commencing on 4 January 2016. According to Mr. Lee's terms of employment with us, he is required to ensure availability for our Company's meetings and perform all assignments required of him as the chief financial officer of our Group. He will be required to make regular on-site visits to review work and progress with supervisors, and to meet with co-workers and stakeholders of our Group. Further, Mr. Lee has confirmed that he will devote sufficient time, resources and attention to his duties as a chief financial officer of our Group notwithstanding his appointment as an executive director of CW Group.

In addition, Mr. Lee will be supported by our finance team led by Ms. Karen LEE Peay Jang who has been with our Group since March 2011. Based on the roles and responsibilities required, as well as the scale of our operations, Mr. Lee estimates that approximately 20% of his time and resources will be allocated to our Group's business upon the Listing. Considering the foregoing factors, Mr. Lee's extensive management experience and his role as an executive director of CW group which is listed on the Main Board, our Directors are of the view, and the Sponsor concurs, that Mr. Lee will be able to allocate sufficient time to discharge his duties as a chief financial officer of our Group and his future contributions will be most beneficial to our Group.

Mr. Lee graduated from Murdoch University, Australia and obtained a bachelor of commerce degree, in February 1996. He is a member of CPA Australia and a non-practising member of the Institute of Singapore Chartered Accounts (formerly known as the Institute of Certified Public Accountants of Singapore).

Prior to joining our Group, Mr. Lee also worked in Ernst & Young LLP between May 1996 and May 2003 where he left as a manager. During this period, he was responsible for the audits assigned to him and the audit teams working on his engagements with his responsibilities including the coverage of audits of clients in various industries. Mr. Lee joined Alvarez & Marsal (SE Asia) Pte. Ltd. (formerly known as RSM Nelson Wheeler Tan Pte. Ltd.) in May 2003, engaging in the areas of insolvency and advisory services and left in August 2006 with his last position being senior manager. He served as an associate director at Tay Swee Sze & Associates from October 2006 to April 2008.

Ms. Karen LEE Peay Jang ("Ms. Lee"), aged 54, our finance manager, joined our Group in March 2011 as its account manager and was appointed as our Group's finance manager in April 2016. Ms. Lee has over 15 years of experience in the auditing and accounting and is responsible for the management of our Group's financing and accounting matters.

Prior to joining our Group, Ms. Lee worked in Aztech Group Ltd as senior accounts officer from March 1995 to February 2011. Ms. Lee obtained a diploma in financial and management accounting from the Toronto School of Business Inc., Canada in June 1990.

Company Secretary

Mr. WONG Cheung Ki Johnny (王章旗) ("Mr. Wong"), aged 33, is our company secretary. Mr. Wong has more than 10 years of experience in the area of accounting and financial management. Currently, Mr. Wong is the sole proprietor of Jovial Wings CPA Company. From July 2012 to October 2015, Mr. Wong was the finance manager of Taubman Asia Management Limited. Between September 2005 and July 2012, Mr. Wong worked with Ernst & Young, Hong Kong (from September 2006 to March 2010) where he was promoted to senior accountant in 2007 and Ernst & Young Hua Ming, Beijing (from March 2010 to July 2012) as a manager.

Since 13 April 2016, Mr. Wong has been serving as a company secretary of China MeiDong Auto Holdings Limited (Stock Code: 1268), a company listed on the Main Board.

Mr. Wong received a degree of master of corporate governance from The Hong Kong Polytechnic University in September 2016 and a degree of bachelor of business administration in accounting from The Hong Kong University of Science and Technology in November 2005. Mr. Wong is currently a certified public accountant under the Hong Kong Institute of Certified Public Accountants.

Mr. Wong was appointed as the company secretary of our Company ("Company Secretary") in April 2016.

CORPORATE GOVERNANCE REPORT

Compliance with Corporate Governance Code

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximising shareholders' interests.

As the Listing only took place on 8 November 2016, the code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "CG Code") only apply to the Company from the Listing to the date of this report.

Pursuant to code provision A.2 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Lim currently performs these two roles. Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, the Directors consider that since the Listing and up to the date of this report, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.

Directors' Securities Transactions

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code since the Listing Date and up to 31 December 2016.

The Board

As at the date of this report, the Board comprises the following directors:

Executive Directors

Mr. Kelvin LIM *(Chairman)*

Mr. CHUA Boon Hou (Cai Wenhao)

Mr. LIM Kong Joo

Non-executive Director

Mr. DU Xianjie

Independent non-executive Directors

Ms. POK Mee Yau

Mr. LIU Ji

Mr. LEUNG Yiu Cho

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and the Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs and overseeing the achievement of strategic plans to enhance shareholders' value.

Generally, the Board is responsible for all major aspects of the affairs of the Company, including:

- formulation of overall strategies and review of its financial performance and results and the internal control systems;
- policies relating to key business and financial objectives of the Company;
- material transactions, including acquisition, investment, disposal of assets or capital expenditure;
- appointment, removal or reappointment of Board members and auditors;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- recommendation to shareholders on final dividend and the declaration of any interim dividends.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor and disclose with reasonable accuracy the financial position of the Group. The Board updates the Company's shareholders ("Shareholders") on the operations and financial position of the Group through quarterly, interim and annual results announcements as well as the publication of timely reports and announcements of other matters as prescribed by the relevant laws, rules and regulations.

Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expense of the Company.

All Directors, including independent non-executive Directors assume the responsibilities to Shareholders for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The non-executive Directors (including the independent non-executive Directors), advise the Company on strategic and critical matters. The Board considers that each non-executive Director brings his own senior level of experience and expertise to the constructive functioning of the Board. To this end, regular informal meetings are held between the executive Directors and non-executive Directors. The Chairman held meetings with the non-executive Directors at least annually without presence of the executive Directors to evaluate the functioning of the Board.

Each of the Directors has entered into a service contract or has signed a letter of appointment with the Company for an initial term of three years commencing from the Listing Date until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles of Association of the Company with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

The executive Directors of the Company are delegated with responsibility to oversee and monitor the operation of specific business areas and to implement the strategies and policies set by the Board.

Independence of Independent Non-executive directors

Each of the independent non-executive Director has made written annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. Upon review, the Board concluded that all the independent non-executive Directors are independent within the meaning of the GEM Listing Rules.

Chairman and Chief Executive

Pursuant to code provision A.2.1 set out in the Corporate Governance Code and Corporate Governance Report under Appendix 15 of the GEM Listing Rules (the "CG Code"), the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Lim currently performs these two roles. Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, the Directors consider that since the Listing and up to the date of this report, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.

The Board Committees

Audit Committee

Our Company has established an audit committee (the "Audit Committee") on 21 October 2016 with written terms of reference in compliance with the CG Code. The audit committee has three members, namely Mr. LIU Ji (劉驥), Mr. LEUNG Yiu Cho (梁耀祖) and Ms. POK Mee Yau (卜美佑), each of whom is an independent non-executive Director. Mr. LIU Ji (劉驥), has been appointed as the chairman of the audit committee, and has the appropriate professional qualifications required under the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company has established a remuneration committee (the "Remuneration Committee") on 21 October 2016 with written terms of reference in compliance with the CG Code. The remuneration committee has three members, namely Mr. LEUNG Yiu Cho (梁耀祖), an independent non-executive Director, Mr. LIU Ji (劉驥), an independent non-executive Director and Mr. Lim an executive Director, our Chairman and chief executive officer. Mr. LEUNG Yiu Cho (梁耀祖), has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangements.

Nomination Committee

Our Company has established a nomination committee (the "Nomination Committee") on 21 October 2016 with written terms of reference in compliance with the CG Code. The nomination committee consists of three members, being Ms. POK Mee Yau (卜美佑), an independent non-executive Director, Mr. LIU Ji (劉驥), an independent non-executive Director and Mr. Lim an executive Director, our Chairman and chief executive officer. Ms. POK Mee Yau (卜美佑), has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

Risk Management Committee

Our Company has established a risk management committee (the "Risk Management Committee") on 21 October 2016. The risk management committee has four members, namely Ms. POK Mee Yau (卜美佑), Mr. Lim, Mr. KJ Lim and Mr. Chua. Ms. POK Mee Yau (卜美佑), our independent non-executive Director, has been appointed as the chairman of the risk management committee. The primary functions of the risk management committee include reviewing (i) our Company's significant transactions, including tenancy agreements, together with our finance department, and (ii) our Company's risk management policies and standards, and monitoring our Company's exposure to sanctions law risks.

Board Composition and Board and Committee Meetings

Practices and Conduct of Meetings

Provision A.1.1 of the CG Code prescribes that at least 4 regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication. The Board will schedule to have at least four regular meetings in a year. Other Board meetings will be held if necessary.

Composition

As at 31 December 2016, the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. The Company has met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise throughout the year.

Biographical details of the Directors are shown on pages 13 to 15 of this report. The List of Directors and their Role and Function was published both on the websites of the Company and the Stock Exchange. The Board is currently supported by the Audit Committee, Remuneration Committee and Nomination Committee to oversee specific areas of the Company's affairs. Each of these committees has been established with written terms of reference, which were approved by the Board, setting out the committee's major duties and responsibilities. These terms of reference were published both on the websites of the Company and the Stock Exchange.

Meetings Held and Attendance

The composition of the Board and the Committees, and the individual attendance records of each Director at the Board and Committees' meetings since the Listing Date to the date of this annual report are set out below:

	Meetings attended/Meetings Held					
Name of the directors	Board meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual general meetings	Extraordinary general meetings
Executive Directors						
Mr. Kelvin LIM	1/1	1/1	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*
Mr. CHUA Boon Hou (Cai Wenhao)	1/1	1/1	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*
Mr. LIM Kong Joo	1/1	1/1	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*
Non-executive Director						
Mr. DU Xianjie	1/1	1/1	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*
Independent non-executive Director						
Ms. POK Mee Yau	1/1	1/1	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*
Mr. LIU Ji	1/1	1/1	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*
Mr. LEUNG Yiu Cho	1/1	1/1	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*

Note 1: Due to the fact that the Company was listed on 8 November 2016, no Remuneration Committee meeting, Nomination Committee meeting, annual general meeting and extraordinary general meeting were held during the year ended 31 December 2016. These meetings will be held in 2017 accordingly.

PROFESSIONAL DEVELOPMENT

To assist the Directors' continuing professional development, the Company plans to provide briefings and other training and recommend Directors to attend relevant seminars to develop and refresh their knowledge and skills. A record of the training received by the respective Directors are kept and updated by the Company Secretary. During the year ended 31 December 2016, all Board members have received a directors' training hosted by the legal advisor to our Company, which was about, *inter alia*, the GEM Listing Rules, Companies Ordinance and Securities and Futures Ordinance.

Name of Directors	Training on Director's responsibilities provided by the Company's legal advisor prior to the Listing
Executive Directors	
Mr. Kelvin LIM	Attended
Mr. CHUA Boon Hou (Cai Wenhao)	Attended
Mr. LIM Kong Joo	Attended
Non-executive Directors	
Mr. DU Xianjie	Attended
Independent non-executive Directors	
Ms. POK Mee Yau	Attended
Mr. LIU Ji	Attended
Mr. LEUNG Yiu Cho	Attended

Accountability and Audit

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis. The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual, half-yearly and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

The responsibility of the independent auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year, the Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are reasonable in accordance with applicable accounting standards.

The quarterly results and reports were published within the time limits as required under the GEM Listing Rules after the end of the relevant periods to provide stakeholders with transparent and timely financial information.

Auditor's Remuneration

During the year, the remuneration, reviewed and approved by the Audit Committee on the audit and non-audit scope, paid or payable to the auditor in respect of audit and non-audit services provided by the auditor of the Group, Ernst & Young, were as follows:

Nature of service	2016 Amount S$'000
Audit services	200
Non-audit services	15

Corporate Governance Function

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as (i) developing and reviewing the Company's policies, practices on corporate governance, training and the continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc; (ii) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and (iii) reviewing the Company's compliance with the CG Code and disclosure in this corporate governance report.

Every Board member has full access to the advice and services of the Company Secretary with a view to ensure that Board procedures, and all applicable rules and regulations are followed. They are also entitled to have full access to Board papers and related materials such that they are able to make an informed decision and to discharge their duties and responsibilities.

Risk Management and Internal Control

The Company had established policies and procedures to identify, assess and manage major risks of the Group. The Board has overall responsibilities for establishing and maintaining an effective risk management and internal control systems of the Group and reviewing their effectiveness. However, such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Management is responsible for implementing that procedures approved by the Board and to monitor compliance with the policies and procedures. Following the review of internal controls procedures which a risk based approach is adopted with focus on the identification and review over risks and controls, carried out by an internal control consultant prior to the Listing Date, the Company set up a Risk Management Committee to oversee and review the key risks of the Group. The Audit Committee and Risks Management Committee reviewed the major risk areas and assessed the adequacy and effectiveness of the policies and procedures that were put in place since the Listing Date. Additionally, the Board has outsourced the internal audit function to a professional risk consulting firm to perform the internal audit review on the control environment and key business processes of the Group. Based on discussions with the professional risk consultants, advisors and our management team, in view of their responses to the findings and recommendations on matters relating to internal controls, the Board is satisfied that there were no significant defects in Group's internal controls and risk management systems in terms of overall adequacy and effectiveness concerning the key operational, financial and compliance risks of the Group as at the date of this report.

Furthermore, the Company reminds the Directors and employees of the Group about due compliance with all policies regarding the Inside Information. The Company keeps the Directors and employees of the Group appraised of the latest regulatory updates to ensure compliance with the relevant regulatory requirements.

Company Secretary

The appointment and removal of the Company Secretary is subject to approval by the Board in accordance with the Articles of Association. The Company Secretary is responsible for ensuring the Board procedures and policy are followed and Board activities are effectively conducted. The Company Secretary is also responsible for maintaining minutes recorded in sufficient details of all the meetings of the Board and committees of the Company. Draft and final versions of minutes are disseminated to Directors for comment and filed for record purposes respectively within a reasonable time after each meeting. The Directors have full and timely access to the minutes of the Board and committees of the Company. The Company Secretary, Mr. Wong Cheung Ki, Johnny, confirmed that he has complied with all the qualifications, experience, and professional training requirements of the GEM Listing Rules.

Shareholders' Rights

The general meetings of the Company provided an opportunity for communication between Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Right to Convene Extraordinary General Meetings and Procedures

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. Anyone or more member(s) holding at the date of the deposit of the requisition not less than one tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal place of business as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

Such requisition shall be made in writing to the Board or the Company Secretary at the following:

Principal Place of business and Headquarters in Singapore

Address:	176 Sin Ming Drive
	#01-15 Sin Ming Autocare
	Singapore, 575721
Email:	enquiries@zhengliholdings.com
Attention:	Company Secretary

Registered office of the Company

Address:	PO Box 1350
	Clifton House
	75 Fort Street
	Grand Cayman KY1-1108
	Cayman Islands
Attention:	Company Secretary

If within 21 days of such deposit, the Board fails to proceed duly to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

For matters in relation to the Board, Shareholders can contact the Company at the following: by post to Principal place of business of the Company in Hong Kong: Address: 9/F, Wah Yuen Building, 149 Queen's Road Central, Hong Kong; or by email to enquiries@zhengliholdings.com.

If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s) may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All such enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary. Shareholders may also make enquiries with the Board at the general meetings of the Company.

Right to Put forward Proposals at General Meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemental from time to time. However, pursuant to the Articles of Association, Shareholders who wish to move a resolution may by means of requisitions convene an EGM following the procedures set out above.

Constitutional Documents

During the year ended 31 December 2016, there had been no significant change in the Company's constitutional documents. The Articles of Association are available on the websites of the Stock Exchange and the Company.

Investor Relations

The Board recognises the importance of maintaining on-going communication with Shareholders. The Company has adopted a Shareholders' communication policy and promotes communications with Shareholders through several communication channels including publication of notices, circulars and announcements of key developments, and quarterly, interim and annual reports as prescribed under the GEM Listing Rules which can also be accessed via the "Investor Relations" of the Company's website.

The aims of the Company are to improve its transparency, gain more understanding and confidence in relation to the Group's business developments and acquire more market recognition and support from Shareholders.

Shareholders are encouraged to attend all general meetings of the Company. The notices of the special general meetings and annual general meeting of the Company were circulated to all Shareholders in accordance with the requirements of the GEM Listing Rules and the Articles of Association. It is a standard practice to have the non-executive Directors available to answer questions relating to their roles, tenure, and the committees of the Board. The results of voting by poll are published on the websites of the Stock Exchange and the Company after the meetings.

Any comments and suggestions to the Board can be addressed to our Hong Kong office or the Company Secretary by mail to 9 Floor, Wah Yuen Building, 149 Queen's Road Central, Hong Kong or email at enquiries@zhengliholdings.com.

DIRECTORS' REPORT

The Directors hereby present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2016

Principal activities

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the business of:

1) maintenance and repair of passenger cars; and

2) modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories.

Principal risk and uncertainties

A number of factors may affect the results and business operations of the Group, major risks are summarised below.

Our business depends heavily on our reputation and consumer perception of the quality of our services, and any negative publicity, harm to our reputation, failure to maintain and/or enhance our reputation, or failure to deal with customer complaints may materially and adversely affect our business, financial condition and results of operations.

We believe that our reputation and consumer perception of the quality of our services are critical to our business. Maintaining and enhancing our reputation depends on the quality and consistency of our services, as well as the success of our marketing and promotional efforts. We believe that maintaining and enhancing our reputation is essential to our efforts to maintain and expand our customer base. In addition, our reputation may be harmed by negative publicity or unfavourable forum discussions, whether accurate or not, relating to the services provided by our Group, such as service quality issues, repair time and quotations.

Imposition of laws or regulations restricting the carrying on of our business, government policies on passenger car purchases and ownership therefore restricting road use in Singapore, or measures to encourage the use of public transport, may have a material adverse effect on our business.

In Singapore, a certificate of entitlement ("COE") is required for the registration of a new vehicle in the appropriate vehicle category. A COE represents a right to vehicle ownership and use of the limited road space in Singapore for 10 years. The Singapore government controls the total number of vehicles in use by limiting the quota of COE. From 2010 to 2013, the number of newly registered passenger cars in Singapore decreased as a result of reduced COE quota and higher COE price. Any measures taken by the Singapore government to limit or reduce the number of passenger car registrations, therefore reducing the number of passenger cars on the roads, and/or measures to encourage the use of public transport, may materially and adversely affect the demand of our services.

Major customers and suppliers

During the year ended 31 December 2016, sales to the Group's five largest customers accounted for approximately 7.7% of total sales including sales to the largest customer which accounted for approximately 2.3% of total sales. The Group's five largest suppliers accounted for approximately 44.7% of total purchases during the year ended 31 December 2016 and purchases from the largest supplier included therein amounted to approximately 12.1% of total purchase.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the year ended 31 December 2016.

Segment Information

An analysis of the Group's performance for the year by operating segment is set out in note 4 to the financial statements.

Recommended dividend

The Board did not recommend the payment of any dividend for year ended 31 December 2016. In February and July 2015, MBMW, an indirect wholly owned subsidiary, declared interim dividends of approximately S$4.0 million and S$1.0 million, respectively, to MBMI, its immediate holding company. In the same months, MBMI declared interim dividends of approximately S$4.0 million and S$1.5 million, respectively, to Mr. Kelvin Lim, who was its then sole shareholder. Part of the interim dividends declared by MBMI in February 2015 was offset against the net amount due from Mr. Kelvin Lim to MBMI of approximately S$3.3 million. The remaining balance of the interim dividends declared by MBMI of approximately S$2.2 million was paid in 2015.

Use of proceeds from the Company's initial public offering

For details, please refer to page 12 of the Management Discussion and Analysis in this report.

Charitable donations

The Group did not make any material charitable donations during the year. (2015: Nil)

Summary financial information

A summary of the published result and assets, liabilities of the Group for the last three financial years, as extracted from the audited financial statements, is set out on page 84. This summary does not form part of the audited financial statements.

Share capital and share options

Details of the movements in share capital of the Company during the year are set out in note 23 to the financial statements. Details about the issuance of Shares are also set out in note 23 to the financial statements.

Purchases, sale or redemption of Company's listed securities

Since the Shares were listed on GEM on 8 November 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles of Associations or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Directors

The Directors during the financial year ended 31 December 2016 and up to the date of this report are as follows:

Executive Directors

Mr. Kelvin LIM

Mr. CHUA Boon Hou (Cai Wenhao)

Mr. LIM Kong Joo

Non-executive Director

Mr. DU Xianjie

Independent non-executive Directors

Ms. POK Mee Yau

Mr. LIU Ji

Mr. LEUNG Yiu Cho

Directors' Service Contracts

Each of the executive Director has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and will continue thereafter until terminated in accordance with the terms of the agreement.

The non-executive Director has signed an appointment letter with the Company for an initial term of three years and is subject to termination in accordance with its terms.

The independent non-executive Directors have each signed an appointment letter with the Company for a term of three years commencing from the Listing Date and are subject to termination in accordance with their respective terms.

Other than as disclosed above, no Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' and chief executives interests and short positions in shares, underlying shares and debentures

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company or any of their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in the Shares

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Underlying Shares	Approximate Percentage
Mr. Kelvin LIM	Beneficial interest	281,250,000	56.25%

Save as disclosed above, none of the Directors, chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise, notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Share option scheme

The Company had adopted a share option scheme ("Share Option Scheme") on 21 October 2016 for the purpose of enabling our Company to grant rights to subscribe for Shares pursuant to the terms of the Share Option Scheme ("Options", each an "Option") as incentives or rewards to the Participants (as defined below) for their contribution to our Group and/or to enable our Group to recruit and retain high calibre employees and attract human resources that are valuable to our Group and any entity which our Group holds any equity interest ("Invested Entity"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The period of Share Option Scheme commences on 21 October 2016 and will expire on 20 October 2026.

The Board may, at its discretion, invite any executive, non-executive or independent non-executive Directors or any employees (whether full-time or part-time) of our Company, or any of its subsidiaries or associated companies or any other person whom our Board considers, in its sole discretion, has contributed or will contribute to our Group ("Participants", each a "Participant") to take up the Options. The basis of eligibility of any of the class of the Participants to the grant of any Option shall be determined by our Board from time to time on the basis of their contribution to the development and growth of our Group and any Invested Entity. Unless otherwise determined by our Board and specified in the offer letter to be given to the Participant at the time of the offer of the Option ("Offer"), there is neither any performance target that needs to be achieved by the Participant who accepts an Offer in accordance with the terms of the Share Option Scheme ("Grantee") before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised.

The subscription price for our Shares under the Share Option Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option, but in any case shall not be less than the highest of (a) the closing price of our Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date on which an Offer is made by our Company to the Grantee (which date must be a Business Day, "Offer Date"); (b) a price being the average of the closing prices of our Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the Offer Date (provided that the Offer Price shall be used as the closing price for any Business Day falling within the period before listing of our Shares where our Company has been listed for less than five (5) Business Days as at the Offer Date); and (c) the nominal value of a Share.

The amount payable by the grantee of an Option to our Company on acceptance of the offer for the grant of an Option is HK$1.00, which shall be payable within the period as our Board may determine and specify in the letter of Offer.

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue immediately following the listing of the Company on the Stock Exchange (being 500,000,000 Shares). The maximum number of shares issuable under share options to each eligible participant in the Company's Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to Shareholders' approval in a general meeting. During the year ended 31 December 2016, the Company may grant options in respect of up to 50,000,000 Shares to the participants under the Share Option Scheme, being 10% of the issued shares of the Company as at the date of this report.

No option has lapsed, or has been granted, exercised or cancelled under the Share Option Scheme during the year ended 31 December 2016. Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at 31 December 2016, nor has there been any exercise, redemption, purchase or cancellation made during the year ended 31 December 2016 of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted.

Directors' rights to acquire shares or debentures

Save as disclosed in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, at no time from the Listing Date to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2016, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long Positions in the Shares

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Underlying Shares	Approximate Percentage
Mr. Kelvin LIM	Beneficial interest	281,250,000	56.25%
Mdm. CHONG Ling Ling[(1)]	Interest of spouse	281,250,000	56.25%
Mr. ZHOU Yunchuan	Interest of a controlled corporation, interests held jointly with another person	93,750,000	18.75%
Mdm. CHEN Yi[(2)]	Interest of spouse	93,750,000	18.75%
Mdm. NG Geok Luan	Interest of a controlled corporation, interests held jointly with another person	93,750,000	18.75%
Mr. GOH Seng Moh[(3)]	Interest of spouse	93,750,000	18.75%
Valiant World Enterprises Limited[(4)]	Beneficial interest	93,750,000	18.75%

Notes:

(1) Mdm. CHONG Ling Ling is the spouse of Mr. Kelvin LIM ("Mrs. Lim"). Under the SFO, Mrs. Lim is deemed to be interested in the same number of Shares in which Mr. Kelvin LIM is interested.

(2) Mdm. CHEN Yi is the spouse of Mr. ZHOU Yunchuan. Under the SFO, Mdm. CHEN Yi is deemed to be interested in the same number of Shares in which Mr. ZHOU Yunchuan is interested.

(3) Mr. GOH Seng Moh is the spouse of Mdm. NG Geok Luan. Under the SFO, Mr. GOH Seng Moh is deemed to be interested in the same number of Shares in which Mdm. Ng Geok Luan is interested.

(4) The entire issued share capital of Valiant World Enterprises Limited is legally and beneficially owned by Mr. ZHOU Yunchuan and Mdm. Ng Geok Luan as to 55% and 45%, respectively.

Save as disclosed above, as at the date of this report, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no other person or corporation (other than the Directors and chief executives of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

Remuneration policy

Details of the remuneration of the Directors for the year ended 31 December 2016 are set out in note 8 to the financial statements in this report. During the year ended 31 December 2016, there was no arrangement under which any Directors waived or agreed to waive any remuneration.

Emolument policy

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

Related Party transactions

Details of the related party transactions entered into by the Group are set out in note 26 to the financial statements. Such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

Connected transaction and continuing connected transaction

During the year, the Group has not entered into any connected transactions or continuing connected transactions that are not exempted under the GEM Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the company has maintained the prescribed public float required by the GEM Listing Rules since the Listing Date and up to the date of this report.

Directors' interest in competing business

The Directors are not aware of any business or interest of the Directors nor our controlling shareholders nor any of their respective close associates that competes or may compete, directly or indirectly, with the Group's business and any other conflicts of interest which any such person has or may have with the Group during the year.

Deed of non-competition

Mr. Kelvin LIM, our controlling shareholder (the "Covenanter") entered into a deed of non-competition (the "Non-competition Deed") in favour of our Company, pursuant to which the Covenanter has undertaken to our Company that he would not, and that his associates (except any member of our Group) would not, during the restricted period set out therein, directly or indirectly, either on his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as shareholder, partner, agent or otherwise) any business which is or may be in competition with our existing core business. Mr. Kelvin LIM has confirm to the Company that the Non-competition Deed has been fully complied with as at 31 December 2016.

Details of the undertaking has been set out in the section headed "Relationship with Controlling Shareholder" of the Prospectus.

Competition and Conflict of Interest

During the year, none of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Directors' Rights to Acquire Shares or Debentures

At no time during the year was there any arrangement, to which the Company, or any of its subsidiaries was a party, whose objects are to enable the Directors to acquire benefits by means of the acquisition of Shares or debentures, or such shares or debentures of any other body corporate.

Indemnity of Directors

The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they shall incur or sustain in execution of their duty or supposed duty in their respective offices, except such as they shall incur or sustain through their own fraud or dishonesty.

Directors' interests in transaction, arrangements or contracts of significance

No transaction, arrangement or contract of significance to which the Company, or any of its subsidiaries was a party, and in which a Director or entity connected with such Director had a material interest, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Environmental policies and performance

The Group is subject to local laws and regulations as well as various guidelines by the governmental agencies. In particular, our modifications, tuning and grooming services need to comply with specific rules in the Road Traffic Act under the purview of the Land Transport Authority. The environmental concern relating to the management of hazardous waste and waste water is particularly important to us, and to address this, we follow the best practices in toxic waste management and comply with relevant environmental standards, including the Environmental Public Health (Toxic Industrial Waste) Regulations issued by the National Environment Agency of Singapore. Other key laws and regulations relating to our business include the Workplace Health and Safety Act, Regulations of Imports and Exports, Employment Act and Employment of Foreign Manpower Act. There were no cases of non-compliance with relevant laws and regulations that had or would have had a significant impact on the Group during the year.

Our key stakeholders include customers, suppliers and employees. We continuously engage with them through daily interactions to understand and respond to their respective needs. We value our customers' feedback and use it to improve our services and quality of repairs. We also understand maintaining relationships with our suppliers and employees is vital to the Group's ability to meet its quality commitment. We build trusted relationships with brand name suppliers, and develop our employees' capabilities and address any potential workplace concerns in a timely manner. More specific details on our environmental, social and corporate governance ("ESG") policies will be found in our ESG report, to be published by June 2017.

Compliance with code of conduct regarding securities transactions by directors' interests in competing business

As at the date of this report, none of the Directors had an interest in a business (other than those businesses where the Director were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with businesses of the Group.

Key Relationships with employees, customers and suppliers

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2016 are set out in notes 21 to the financial statements.

Three year summary

A summary of the results and of the assets and liabilities of the Group for the last three financial years is set out on page 84 of the annual report.

Distributable reserves

Details of the movements in the reserves of the Group for the year are set out in the consolidated statement of changes in equity on page 44.

Details of the movements in the reserve of the Company for the year are set out in note 24 to the financial statements.

As at 31 December 2016, the Company had approximately S$5.6 million distributable reserve (31 December 2015: S$Nil million).

Material Acquisition and Disposal

The Group did not have any material acquisition or disposal of subsidiaries or associates since the Listing Date to the date of this report.

Retirement Schemes

Particulars of retirement schemes are set out in note 2.21 to the financial statements.

Confirmation of independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and, based on contents of such confirmation, considers all the independent non-executive Directors to be independent and that they have met the specific independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

Interests of compliance advisor

As notified by the Company's compliance advisor, Messis Capital Limited, neither Messis Capital Limited nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation of the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser service provided by Messis Capital Limited) as at the date of this report.

Events after the reporting period

There were no important events affecting the Group that have occurred since the end of the Year.

Corporate Governance

Details of the corporate governance practice adopted by the Company are set out on page 17 to 25 of this annual report.

Review by Audit Committee

The Company's Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited financial statements.

The Group's compliance with the relevant laws and regulations

As far as the Board is aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

Auditors

Ernst & Young retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditors of the company is to be proposed at the forthcoming annual general meeting.

Appreciation

On behalf of the Board, I would like to extend our sincere thanks to our Shareholders, business partners and customers for their continuous support to the Group. I would also extend my gratitude and appreciation to all the Directors, management and staff for their hard work and dedication throughout the period.

By Order of the Board

Mr. Kelvin LIM

Chairman and Executive Director

24 March 2017

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Zheng Li Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Zheng Li Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 83, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Standards Board (the "IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Allowance for trade receivables	
Trade receivable balances were significant to the Group as they represented 23% of the total assets of the Group as at 31 December 2016. In addition, trade receivables allowance assessment requires significant management judgement. As such, we determined that this is a key audit matter. The Group evaluates specific trade receivable balances where it has information that certain customers are unable to meet their financial obligations and makes allowance for doubtful debts accordingly. The Group uses significant judgement, based on the available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's repayment history and known market factors. The Group's disclosures of the trade receivables and the related risk are included in notes 2.10, 3.2, 18 and 29 to the consolidated financial statements.	We tested the aging of the trade receivables and evaluated management's assumptions used to estimate the trade receivables allowance amount, through specific review of significant overdue individual trade receivables, reviewing payment history of debtors, checking the bank receipts for the payment received subsequent to the year end. We also assessed the disclosures related to trade receivables and the related risk in the consolidated financial statements.
Allowance for inventory obsolescence	
As of 31 December 2016, the Group's inventories and allowance for obsolescence amounted to S$404,000 and S$157,000 respectively. Allowance for inventory obsolescence is based on management's judgement using the available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices and estimated selling costs of the inventories. We focused on this area as the inventories are material to the consolidated financial statements and the determination of allowance for inventory obsolescence involves significant management's judgement and estimation. The Group's disclosures of the inventories are included in notes 2.15, 3.2, and 17 to the consolidated financial statements.	We attended management's inventory counts and observed the process at material inventory locations, including observing the process implemented by management to identify and monitor obsolete inventories. We evaluated the assessments made by management by assessing the inventory costing, aging of inventories, and the analysis of obsolete inventories on selected samples. We re-calculated the allowance for inventory obsolescence in accordance with the Group's policy. We also assessed the disclosures related to inventories in the consolidated financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is LAW Kwok Kee.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

24 March 2017

AUDITED FINANCIAL STATEMENTS

The board of Directors of the Company (the "Board") is pleased to report the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 with comparative figures for the corresponding periods in the year 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2016 S$'000	2015 S$'000
REVENUE	5	16,791	15,814
Other income and gains	5	1,050	542
Items of expense			
Cost of materials		(8,102)	(8,193)
Marketing and advertising expenses		(91)	(82)
Employee benefits expense	9	(4,274)	(3,575)
Depreciation of property, plant and equipment	6	(352)	(332)
Amortisation of intangible asset	6	(16)	(8)
Allowance for trade receivables		(28)	(42)
Finance costs	7	(162)	(143)
Other expenses		(5,086)	(1,927)
(Loss)/profit before tax	6	(270)	2,054
Income tax expense	11	(301)	(338)
(Loss)/profit for the year		(571)	1,716
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Changes in fair value		20	37
Income tax effect		(3)	(6)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		17	31
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(554)	1,747
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted (S$ cents per share)	13	(0.14)	0.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2016 S$'000	2015 S$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	3,780	2,920
Intangible asset	15	23	28
Available-for-sale investment	16	463	443
Total non-current assets		4,266	3,391
CURRENT ASSETS			
Inventories	17	404	693
Trade and other receivables	18	7,427	2,165
Prepayments		526	136
Cash and cash equivalents	19	6,789	5,831
Tax recoverable		—	3
Total current assets		15,146	8,828
CURRENT LIABILITIES			
Trade and other payables	20	2,643	2,305
Interest-bearing bank and other borrowings	21	270	275
Tax payable		412	446
Total current liabilities		3,325	3,026
NET CURRENT ASSETS		11,821	5,802
TOTAL ASSETS LESS CURRENT LIABILITIES		16,087	9,193
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	21	1,654	2,061
Deferred tax liabilities	22	104	44
Total non-current liabilities		1,758	2,105
Net assets		14,329	7,088
EQUITY			
Share capital	23	900	—
Reserves	24	13,429	7,088
Total equity		14,329	7,088

The consolidated financial statements on pages 42 to 83 were approved and authorised for issue by the Board on 24 March 2017 and are signed on its behalf by:

Kelvin LIM Director	LIM Kong Joo Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital S$'000	Share premium S$'000	Available-for-sale investment revaluation reserve S$'000	Merger reserve S$'000	Retained profits S$'000	Total S$'000
At 1 January 2015	—	—	(72)	2,363	4,055	6,346
Profit for the year	—	—	—	—	1,716	1,716
Other comprehensive income for the year:						
Changes in fair value of an available-for-sale investment, net of tax	—	—	31	—	—	31
Total comprehensive income for the year	—	—	31	—	1,716	1,747
Contributions by the equity holder of a subsidiary	—	—	—	4,500	—	4,500
Dividends paid (note 12)	—	—	—	—	(5,505)	(5,505)
At 31 December 2015 and 1 January 2016	—	—	(41)	6,863	266	7,088
Loss for the year	—	—	—	—	(571)	(571)
Other comprehensive income for the year:						
Changes in fair value of an available-for-sale investment, net of tax	—	—	17	—	—	17
Total comprehensive income/(loss) for the year	—	—	17	—	(571)	(554)
Issuance of shares from reorganisation exercise	675	1,394	—	—	—	2,069
Issuance of new shares in connection with initial public offering	225	8,549	—	—	—	8,774
Shares issuance expenses	—	(961)	—	—	—	(961)
Effects of acquisition of a subsidiary from reorganisation exercise	—	—	41	(2,979)	851	(2,087)
At 31 December 2016	900	8,982*	17*	3,884*	546*	14,329

* These reserve accounts comprise the consolidated reserves of S$13,429,000 (2015: S$7,088,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2016 S$'000	2015 S$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(270)	2,054
Adjustments for:			
Depreciation of property, plant and equipment	6	352	332
Amortisation of intangible asset	6	16	8
Property, plant and equipment written off	6	104	—
Gain on disposal of property, plant and equipment	6	—	(82)
Finance costs	7	162	143
Allowance for trade receivables	6	28	42
Foreign exchange differences, net	6	(185)	19
Allowance for inventory obsolescence	6	15	32
		222	2,548
Decrease/(increase) in inventories		274	(34)
Increase in trade and other receivables		(5,290)	(614)
Increase in prepayments		(390)	(111)
Increase in trade and other payables		360	361
Cash (used in)/generated from operations		(4,824)	2,150
Interest paid		(61)	(108)
Income tax paid		(275)	(381)
Net cash flows (used in)/from operating activities		(5,160)	1,661
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	14	(1,316)	(136)
Purchase of items of intangible asset	15	(11)	(13)
Proceeds from disposal of items of property, plant and equipment		—	131
Net cash flows used in investing activities		(1,327)	(18)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares in a subsidiary		—	4,500
Proceeds from issuance of shares		8,774	—
Proceeds from bank loans		1,772	—
Repayment of bank loans		(2,285)	(345)
Repayment of obligation under finance leases		—	(40)
Shares issuance expenses		(961)	—
Dividends paid		—	(2,162)
Net cash flows from financing activities		7,300	1,953
NET INCREASE IN CASH AND CASH EQUIVALENTS		813	3,596
Cash and cash equivalents at beginning of year		5,831	2,235
Effect of exchange rate changes on cash and cash equivalents		145	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		6,789	5,831
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	6,789	5,831

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 17 March 2016. The registered office of the Company is at the offices of Estera Trust (Cayman) Ltd, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The shares of the Company were listed (the "Listing") on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 November 2016 (the "Listing Date").

In preparation for the listing of the shares of the Company on the Stock Exchange, the Group underwent a corporate reorganisation (the "Reorganisation"), pursuant to which the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 31 October 2016.

The Company is an investment holding company. The Company's subsidiaries ("the Company and its subsidiaries are collectively referred to as the "Group") are principally engaged in the business of:

1) Maintenance and repair of passenger cars; and

2) Modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories.

Information about subsidiaries

The Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Company name	Place of incorporation/ registration and operation	Issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
		S$'000	%	%	
MBM International Holdings Pte. Ltd.* ("MBMI")	Singapore	4,500	100	—	Investment holding
MBM Wheelpower Pte. Ltd.* ("MBM")	Singapore	125	—	100	Maintenance and repair of passenger cars
KBS Motorsports Pte. Ltd.* ("KBS")	Singapore	100	—	100	Modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessaries

* Audited by Ernst & Young, Singapore

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, except for an available-for-sale investment, which has been measured at fair value. The financial statements are presented in Singapore dollar ("SGD" or "S$") and all values are rounded to the nearest thousand ("S$'000"), except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, or the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised standards for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*

The adoption of the above new and revised standards has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the financial statements:

IFRS 9	*Financial Instruments*[2]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 7	*Disclosure Initiative*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IFRS 1 included in *Annual Improvements 2014–2016 Cycle*	*First-time Adoption of International Financial Reporting Standards*[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
Amendments to IAS 40	*Transfer of Investment Property*[2]
Amendments to IAS 28 included in *Annual Improvements 2014–2016 Cycle*	*Investments in Associates and Joint Ventures*[2]
Amendments to IFRS 12 included in *Annual Improvements 2014–2016 Cycle*	*Disclosure of interests in Other Entities*[1]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date yet determined

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases — Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.5 IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.6 RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.7 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment used are as follows:

Freehold property	—	50 years
Computers	—	3 years
Motor vehicles	—	5 years
Furniture and fittings	—	5 years
Office equipment	—	5 years
Renovation	—	5 years
Tools and machinery	—	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

2.8 INTANGIBLE ASSET

Intangible asset acquired separately is measured on initial recognition as cost. The cost of intangible asset acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible asset of the Group and the Company are assessed as finite.

Intangible asset with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Software

Software is acquired separately and is amortised on the straight-line basis over its estimated useful life of three (3) years.

2.9 LEASES

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and an available-for-sale financial investment, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

The Group's financial assets include an available-for-sale investment, cash and cash equivalents, trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss and other comprehensive income in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investment

Available-for-sale financial investment is a non-derivative financial asset in a life insurance policy.

After initial recognition, the available-for-sale financial investment is subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the profit or loss in other gains or losses. Interest earned whilst holding the available-for-sale financial investment is reported as interest income and is recognised in the consolidated statement of profit or loss and other comprehensive income as other income in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates whether the ability and intention to sell its available-for-sale financial asset in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade this financial asset due to inactive market, the Group may elect to reclassify this financial asset if management has the ability and intention to hold the asset for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.11 DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.12 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred).The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale financial investment

For the Group's available-for-sale financial investment, the Group assesses at the end of each reporting period whether there is objective evidence that an investment is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.13 FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.14 DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.15 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises cost of purchasing finished goods. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

2.16 CASH AND CASH EQUIVALENTS

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

2.17 PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.18 INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in Singapore in which the Group primarily operates in.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.19 GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.20 REVENUE RECOGNITION

The Group derives its revenue from (i) the maintenance and repair of passenger cars, and (ii) the modification, tuning and grooming services of the performance or appearance of passenger cars and trading of spare parts and accessories.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

When the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) *Rendering of services*

Revenue from the provision of services is recognised when services have been rendered. Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

(c) *Rental income*

Rental income is accounted for on a time proportion basis over the lease terms.

2.21 EMPLOYEE BENEFITS

The employees of the Group's subsidiaries which operate in Singapore are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Singapore are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.22 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.23 FOREIGN CURRENCIES

The functional currency of the Company is the S$. The functional currency of the subsidiaries incorporated in Singapore is the S$. As the Group mainly operates in Singapore, S$ is used as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3.1 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 50 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2016 and 2015 was approximately S$3,780,000 and S$2,920,000, respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised and impact the profit in future years.

Impairment of an available-for-sale financial asset

The Group classifies a certain asset as an available-for-sale and recognises movements of its fair value in other comprehensive income. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. The carrying amount of its available-for-sale financial asset as at 31 December 2016 and 2015 was S$463,000 and S$443,000, respectively.

3.2 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Allowance for inventory obsolescence

Allowance for inventory obsolescence is based on management's judgement using the available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, and estimated selling costs of the inventories. The allowance is re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Group's inventories as at 31 December 2016 and 2015 was S$404,000 and S$693,000 respectively.

Allowance for trade receivables

The Group evaluates specific trade receivable balances where it has information that certain customers are unable to meet their financial obligations and makes allowance for doubtful debts accordingly. The Group uses significant judgement, based on the available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's repayment history and known market factors. These specific allowances are re-evaluated and adjusted as additional information received affects the amount of allowance for trade receivables. The carrying amount of the trade receivables as at 31 December 2016 and 2015 was S$4,516,000 and S$1,381,000, respectively.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

i. The maintenance and repair services segment relates to the repair of manufacturer's defects, replacement of parts due to wear and tear, or repair of damage resulting from accidents. Maintenance and repair services are typically charged based on the labour time and cost of parts incurred.

ii. The modification, tuning and grooming services and trading of spare parts and accessories segment relates to the modification, tuning and grooming of the performance or appearance of passenger cars and the trading of spare parts and accessories.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss which in certain respects, as explained in the table below, is measured differently from the financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expense and income comprise of expense and other sources of income which are not directly attributable to the identified segments.

Intersegment sales and transfers are on terms' agreement in a manner similar to transactions with third parties at the then prevailing market prices. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

The Group's revenue from external customers was derived from its operations in Singapore, and the non-current assets of the Group were located in Singapore as at 31 December 2016.

Information about major customers

Since none of the Group's sales to a single customer accounted for 10% or more of the Group's total revenue during the year, no major customer information is presented in accordance with IFRS 8 *Operating Segment*.

	Maintenance and repair services		Modification, tuning and grooming services and trading of spare parts and accessories		Adjustments and eliminations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue:								
External customers	13,027	12,689	3,764	3,125	—	—	16,791	15,814
Intersegment	37	25	7	28	(44)	(53)	—	—
	13,064	12,714	3,771	3,153	(44)	(53)	16,791	15,814
Results:								
Cost of materials	(6,018)	(6,087)	(2,128)	(2,159)	44	53	(8,102)	(8,193)
Marketing and advertising expenses	(52)	(40)	(32)	(42)	—	—	(84)	(82)
Employee benefits expense	(3,375)	(2,863)	(797)	(712)	—	—	(4,172)	(3,575)
Depreciation and amortisation expense	(256)	(242)	(46)	(32)	—	—	(302)	(274)
Allowance for trade receivables	(7)	(33)	(21)	(9)	—	—	(28)	(42)
Other expenses	(1,720)	(1,416)	(297)	(330)	145	144	(1,872)	(1,602)
Segment profit/(loss)	1,636	2,033	450	(131)	145	144	2,231	2,046
Unallocated other expenses							(3,214)	(325)
Unallocated other income and gains							1,050	542
Unallocated marketing and advertising expenses							(7)	—
Unallocated depreciation and amortisation of other assets							(66)	(66)
Unallocated employee benefits expense							(102)	—
Unallocated finance costs							(162)	(143)
(Loss)/profit before tax							(270)	2,054
Tax expense							(301)	(338)
(Loss)/profit for the year							(571)	1,716
Assets:								
Property, plant and equipment	1,322	347	69	118	—	—	1,391	465
Intangible asset	22	27	1	—	—	—	23	27
Segment assets	7,087	3,878	4,661	2,074	(1,174)	(1,497)	10,574	4,455
Unallocated assets*							7,424	7,272
Total assets							19,412	12,219
Liabilities:								
Segment liabilities	2,184	1,506	1,310	1,884	(1,174)	(1,497)	2,320	1,893
Unallocated liabilities*							2,763	3,238
Total liabilities							5,083	5,131
Other segment information:								
Additions to non-current assets**	1,507	43	6	106	—	—	1,513	149

* The unallocated assets and liabilities are mainly corporate assets, tax recoverable, corporate liabilities, tax payable and deferred tax liabilities.

** Additions to non-current assets consist of additions to property, plant and equipment and intangible asset.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents services rendered to customers less any discounts and invoiced trading sales of spare parts for the year. An analysis of revenue, other income and gains is as follows:

	2016 S$'000	2015 S$'000
Revenue		
Maintenance and repair services	13,027	12,689
Modification, tuning and grooming services and trading of spare parts and accessories	3,764	3,125
	16,791	15,814
Other income and gains		
Government grants*	152	65
Rental income	68	88
Commission income from sale of passenger cars	372	249
Gain on disposal of property, plant and equipment	—	82
Foreign exchange gains	185	—
Unwinding of discount on loan stated at amortised cost	183	—
Others	90	58
	1,050	542

* The amount mainly represents rewards or subsidies under the Productivity and Innovation Credit Scheme and the Wage Credit Scheme which were received from the Singapore government. There are no unfulfilled conditions or contingencies relating to these grants.

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Notes	2016 S$'000	2015 S$'000
Depreciation of property, plant and equipment	14	352	332
Amortisation of intangible assets	15	16	8
Auditors' remuneration		200	51
Minimum lease payments under operating leases		867	748
Staff costs (excluding directors' and chief executive's remuneration (note 8))	9	3,817	3,192
Allowance for trade receivables	18	28	42
Foreign exchange (gains)/losses		(185)	19
Allowance for inventory obsolescence	17	15	32
Gain on disposal of property, plant and equipment		—	82
Property, plant and equipment written off	14	104	—
Expenses related to initial public offering		2,797	310

7. FINANCE COSTS

	2016 S$'000	2015 S$'000
Interest expenses		
— Finance lease	—	4
— Commercial property loan	105	91
— Term loans	8	24
Bank charges	49	24
	162	143

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Kelvin Lim was appointed as an executive director of the Company on 17 March 2016.

Mr. Chua Boon Hou (Cai Wenhao) and Mr. Lim Kong Joo were appointed as executive directors of the Company on 13 April 2016. Mr. Du Xianjie was appointed as non-executive director on 13 April 2016. Ms. Pok Mee Yau, Mr. Liu Ji and Mr. Leung Yiu Cho were appointed as independent non-executive directors of the Company on 21 October 2016.

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2016 S$'000	2015 S$'000
Fees	17	–
Salaries, allowances and benefits in kind	381	311
Discretionary performance-related bonuses	19	37
Pension scheme contributions	40	35
	457	383

The emoluments paid or payable to each of the directors and the chief executive of the Company for the year were as follows:

Year ended 31 December 2016		Fees	Salaries, allowances and benefits in kind	Discretionary performance-related bonuses	Pension scheme contributions	Total remuneration
		S$'000	S$'000	S$'000	S$'000	S$'000
(a)	**Executive directors:**					
	Mr. Kelvin Lim	—	180	8	14	202
	Mr. Chua Boon Hou (Cai Wenhao)	—	101	7	13	121
	Mr. Lim Kong Joo	—	100	4	13	117
		—	381	19	40	440
(b)	**Non-executive director:**					
	Mr. Du Xianjie	4	—	—	—	4
(c)	**Independent non-executive directors:**					
	Mr. Liu Ji	5	—	—	—	5
	Ms. Pok Mee Yau	4	—	—	—	4
	Mr. Leung Yiu Cho	4	—	—	—	4
		13	—	—	—	13
		17	381	19	40	457

Year ended 31 December 2015		Fees	Salaries, allowances and benefits in kind	Discretionary performance-related bonuses	Pension scheme contributions	Total remuneration
		S$'000	S$'000	S$'000	S$'000	S$'000
(a)	**Executive directors:**					
	Mr. Kelvin Lim	—	123	8	10	141
	Mr. Chua Boon Hou (Cai Wenhao)	—	85	18	13	116
	Mr. Lim Kong Joo	—	103	11	12	126
		—	311	37	35	383

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. EMPLOYEE BENEFITS EXPENSE

	2016 S$'000	2015 S$'000
Directors' emoluments (note 8):		
— Fees	17	–
— Salaries, allowances and benefits in kind	381	311
— Discretionary performance-related bonuses	19	37
— Pension scheme contributions	40	35
	457	383
Staff costs (excluding directors' remuneration):		
— Pension scheme contributions	260	223
— Foreign worker levy	164	171
— Salaries and bonuses	3,221	2,637
— Staff welfare and others	172	161
	3,817	3,192
	4,274	3,575

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2015: two) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2016 S$'000	2015 S$'000
Salaries, allowances and benefits in kind	264	233
Discretionary performance-related bonuses	8	14
Pension scheme contributions	20	33
	292	280

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees 2016	 2015
Nil to HK$1,000,000 (equivalent to S$186,000)	2	2

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Subsidiaries in Singapore are subject to taxation at a rate of 17% on the estimated profits arising in Singapore during the year.

	2016 S$'000	2015 S$'000
Current income tax		
— Current year	339	345
— Overprovision in respect of prior years	(95)	—
	244	345
Deferred tax		
— Current year	44	(7)
— Underprovision in respect of prior years	13	—
	57	(7)
Tax expense for the year — Singapore	301	338
Deferred tax charge related to other comprehensive income:		
— Changes in fair value of an available-for-sale investment	(3)	(6)

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory/applicable rates for the countries or jurisdictions in which the Company's subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2016		2015	
	S$'000	%	S$'000	%
(Loss)/profit before tax	(270)		2,054	
Tax at the statutory tax rate	(46)	17.00	349	17.00
Income not subject to tax	(92)	34.07	(12)	(0.58)
Expenses not deductible for tax	613	(227.04)	104	5.06
Utilisation of tax losses	—	—	(36)	(1.75)
Effect of partial tax exemption and tax relief	(92)	34.07	(46)	(2.24)
Effect of Productivity and Innovation Credit incentive	(6)	2.22	(18)	(0.88)
Overprovision of income tax in prior years	(95)	35.19	—	—
Underprovision of deferred tax in prior years	13	(4.81)	—	—
Others	6	(2.22)	(3)	(0.15)
Tax charged at the Group's effective tax rate	301	(111.48)	338	16.46

The tax incentive pertains to the Productivity and Innovation Credit ("PIC") scheme. The PIC scheme was introduced in the Singapore Budget 2010 to provide tax benefits for investments by businesses in a broad range of activities along the innovation value chain. Enhancements to the PIC scheme were introduced in the Singapore Budget 2011 to 2015. In the Singapore Budget 2014, the PIC scheme was extended for 3 years. Currently, tax benefits provided under the PIC scheme will depend on the quantum of expenditure incurred for the qualifying activities from Year of Assessment ("YA") 2015 to YA 2018 and fulfilment of the relevant conditions.

12. DIVIDENDS

	2016 S$'000	2015 S$'000
Interim dividend of S$2,000,000 and S$752,614 per ordinary share for the year ended 31 December 2015 (one-tier tax exempt) paid by one of the subsidiaries	—	5,505

13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

As at 31 December 2016, the Company had 500,000,000 ordinary shares in issue. The Company was listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited on 8 November 2016 by way of placing of 125,000,000 new shares and capitalisation of 375,000,000 shares resulting in 500,000,000 ordinary shares in issue. The calculation of the basic (loss)/earnings per share is based on the following data:

	2016 S$'000	2015 S$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/earnings per share		
(Loss)/profit for the year attributable to the owners of the Company	(571)	1,716

	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	395,833	375,000

Basic (loss)/earnings per share for the year ended 31 December 2016 is S$(0.14) cents (2015: S$0.46 cents). The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share has been retrospectively adjusted, assuming the reorganisation had been effective on 1 January 2015.

No adjustment has been made to the basic (loss)/earnings per share as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold property S$'000	Computers S$'000	Motor vehicles S$'000	Furniture and fittings S$'000	Office equipment S$'000	Renovation S$'000	Tools and machinery S$'000	Total S$'000
31 December 2016								
At 1 January 2016:								
Cost	2,583	6	400	293	200	701	467	4,650
Accumulated depreciation	(156)	(6)	(281)	(156)	(159)	(611)	(361)	(1,730)
Net carrying amount	2,427	—	119	137	41	90	106	2,920
At 1 January 2016, net of accumulated depreciation	2,427	—	119	137	41	90	106	2,920
Additions	—	2	285	37	42	734	216	1,316
Write off	—	—	—	(71)	(3)	(30)	—	(104)
Depreciation provided during the year (note 6)	(52)	—	(56)	(58)	(26)	(98)	(62)	(352)
At 31 December 2016, net of accumulated depreciation	2,375	2	348	45	54	696	260	3,780
At 31 December 2016:								
Cost	2,583	8	685	259	239	1,405	683	5,862
Accumulated depreciation	(208)	(6)	(337)	(214)	(185)	(709)	(423)	(2,082)
Net carrying amount	2,375	2	348	45	54	696	260	3,780
31 December 2015								
At 1 January 2015:								
Cost	2,583	6	369	274	197	701	433	4,563
Accumulated depreciation	(104)	(6)	(219)	(101)	(138)	(527)	(303)	(1,398)
Net carrying amount	2,479	—	150	173	59	174	130	3,165
At 1 January 2015, net of accumulated depreciation	2,479	—	150	173	59	174	130	3,165
Additions	—	—	80	19	3	—	34	136
Disposal	—	—	(49)	—	—	—	—	(49)
Depreciation provided during the year (note 6)	(52)	—	(62)	(55)	(21)	(84)	(58)	(332)
At 31 December 2015, net of accumulated depreciation	2,427	—	119	137	41	90	106	2,920
At 31 December 2015:								
Cost	2,583	6	400	293	200	701	467	4,650
Accumulated depreciation	(156)	(6)	(281)	(156)	(159)	(611)	(361)	(1,730)
Net carrying amount	2,427	—	119	137	41	90	106	2,920

The freehold property located at 9 Tagore Lane #03-10, 9 @ Tagore, Singapore 787472 relates to a commercial unit in a building for the Group's warehousing purpose. The carrying amount of the Group's freehold property as at 31 December 2016 was S$2,375,000 (2015: S$2,427,000) and the property was mortgaged as security for the facilities as set out in note 21 to the financial statements.

15. INTANGIBLE ASSET

	Software S$'000
31 December 2016	
Cost at 1 January 2016, net of accumulated amortisation	28
Additions	11
Amortisation provided during the year (note 6)	(16)
At 31 December 2016, net of accumulated amortisation	23
At 31 December 2016:	
Cost	118
Accumulated amortisation	(95)
Net carrying amount	23
31 December 2015	
Cost at 1 January 2015 net of accumulated amortisation	23
Additions	13
Amortisation provided during the year (note 6)	(8)
At 31 December 2015	28
At 31 December 2015:	
Cost	107
Accumulated amortisation	(79)
Net carrying amount	28

As at 31 December 2016, the software of the Group has a remaining useful life of not more than 3 years (2015: not more than 3 years).

16. AVAILABLE-FOR-SALE INVESTMENT

	2016 S$'000	2015 S$'000
Life insurance policy, at fair value	463	443

The Group has entered into a life insurance policy with an insurance company to insure the executive director. Under this policy, the Group is the beneficiary and the policy holder. The Group paid upfront premiums for this policy and may surrender any time by filing a written request and receive cash based on the surrender value of the policy at the date of withdrawal, which is calculated by the insurer. In the opinion of the Directors, the surrender value of the policy provided by the insurance company is the best approximation of its fair value, which is categorised within Level 3 of the fair value hierarchy.

The changes in fair value of the Group's available-for-sale investment, net of tax, recognised in other comprehensive income amounted to gains of S$17,000 for the year ended 31 December 2016 (2015: gains of S$31,000).

17. INVENTORIES

	2016 S$'000	2015 S$'000
Spare parts and accessories	404	693

Inventories are stated net of allowance for inventory obsolescence of S$157,000 as at 31 December 2016 (2015: S$142,000). During the year ended 31 December 2016, allowance for inventory obsolescence amounting to S$15,000 (2015: S$32,000) was recognised.

18. TRADE AND OTHER RECEIVABLES

	2016 S$'000	2015 S$'000
Trade receivables	4,538	1,457
Allowance for trade receivables	(22)	(76)
Trade receivables, net	4,516	1,381
Other receivables	81	302
Deposits*	2,830	482
	7,427	2,165

* The amount mainly represents deposits paid for the purchase of vehicles on behalf of customers.

Trade receivables are non-interest bearing and are generally on 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

An aged analysis of the trade receivables as at the end of the reporting period, based on the date of the products sold or services rendered is as follows:

	2016 S$'000	2015 S$'000
Less than 30 days	988	632
30–60 days	649	187
61–90 days	888	98
91–120 days	504	38
More than 120 days	1,487	426
	4,516	1,381

The movements of the allowance accounts used to record the impairment are as follows:

	2016 S$'000	2015 S$'000
At 1 January	76	34
Impairment losses recognised (note 6)	28	42
Write-off of trade receivables	(82)	—
At 31 December	22	76

The above provision for trade receivables is a provision for individually impaired trade receivables. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties or in dispute and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 S$'000	2015 S$'000
Neither past due nor impaired	988	632
Past due but not impaired:		
Less than 30 days	649	187
30–60 days	888	98
61–90 days	504	38
91-120 days	1,044	20
More than 120 days	443	406
	3,528	749
	4,516	1,381

Receivables that were neither past due nor impaired relate to customers with a good track record for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. CASH AND CASH EQUIVALENTS

	2016 S$'000	2015 S$'000
Cash and bank balances	6,789	5,831

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Cash and cash equivalents denominated in foreign currencies are as follows:

	2016		2015	
	Local currency $'000	S$'000	Local currency $'000	S$'000
United States dollar	3	4	3	4
Euro	1	2	1	2
Hong Kong dollar	16,339	3,046	—	—
British Pound Sterling	3	6	3	6

20. TRADE AND OTHER PAYABLES

	2016 S$'000	2015 S$'000
Trade payables	1,459	1,153
Other payables	465	542
Deposits received from customers	114	342
Accrued expenses	605	268
	2,643	2,305

Trade payables and other payables are normally settled on 60 days' terms. These amounts are non-interest bearing.

An aged analysis of the trade payables as at the end of the reporting period based on the invoice date, is as follows:

	2016 S$'000	2015 S$'000
Less than 30 days	758	563
30–60 days	492	502
61–90 days	117	59
91–120 days	11	1
More than 120 days	81	28
	1,459	1,153

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016		2015	
	Maturity	S$'000	Maturity	S$'000
Current				
Commercial property loan ("CPL") (note a)	—	—	2016	7
Term loans:				
— S$ loan at bank's business board rate ("BBR") + 2.0% per annum (note b)	—	—	2016	138
— US$ loan at bank's 3-month cost of funds ("COF") + 1.0% per annum (note b)	—	—	2016	130
— S$ loan at bank's cost of funds ("COF") + 3.5% per annum (note c)	2017	172	—	—
— S$ loan at bank's 1-year cost of funds ("COF") + 1.5% per annum (note c)	2017	98	—	—
		270		275
Non-current				
Commercial property loan ("CPL") (note a)	—	—	2017–2042	1,973
Term loans:				
— US$ loan at bank's 3-month cost of funds ("COF") + 1.0% per annum (note b)	—	—	2017	88
— S$ loan at bank's 6-month cost of funds ("COF") + 1.5% per annum (note c)	2018	109	—	—
— S$ loan at bank's 3-month cost of fund ("COF") + 2.88% per annum (note c)	2019–2031	1,545	—	—
		1,654		2,061
Total		1,924		2,336

	2016	2015
	S$'000	S$'000
Analysed into:		
Within one year	270	275
In the second year	109	93
In the third to fifth years	366	121
Over five years	1,179	1,847
	1,924	2,336

Notes:

a) Commercial property loan

The property loan from a financial institution was repayable over 30 years from 10 October 2012. The Group's property loan was secured by way of personal guarantee provided by a director of the Group and a legal mortgage of the Group's freehold property. The property loan was fully paid during the year.

b) S$ and US$ term loans

The term loans were supported by way of personal guarantee provided by a director of the Group. The term loans were fully paid during the year.

c) **S$ term loans**

On 21 September 2016, the Group entered a refinancing agreement with another financial institution. The Group's term loans (short and long term loans) are secured by way of corporate guarantees provided by the Company and a subsidiary and a legal mortgage of the Group's freehold property which had a carrying amount of S$2,375,000 as at 31 December 2016 (2015: S$2,427,000) (note 14). The refinanced long term loan matures on 15 October 2031.

The short term loan facility of up to US$300,000 and the loan is denominated in S$ as at 31 December 2016. The short term loan bears interest at bank's cost of funds +3.5% per annum.

The long term loan bears interest at:

— 1st year at bank's 1-year cost of funds +1.5% per annum.

— 2nd year at bank's 6-month cost of funds +1.5% per annum.

— 3rd year and onwards at bank's 3-month cost of funds +2.88% per annum.

In the opinion of the directors, the fair value of interest-bearing bank borrowings is categorised within Level 2 of the fair value hierarchy.

Loans and borrowings denominated in a foreign currency are analysed as follows:

	2016 S$'000	2015 S$'000
United States dollar	—	218

22. DEFERRED TAX LIABILITIES

	Statement of financial position		Other comprehensive income		Profit or loss	
	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
Deferred tax liabilities:						
Differences in depreciation for tax purpose	(110)	(53)	—	—	(57)	7
Deferred tax assets:						
Revaluations of fair value on an available-for-sale investment	6	9	(3)	(6)	—	—
	(104)	(44)				

23. SHARE CAPITAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 March 2016 with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the date of incorporation, 10,000 shares of nominal value of HK$0.01 each were allotted and issued to its then shareholders. Upon the completion of the reorganisation on 21 October 2016, the Company became the holding company of the Group.

	2016 S$'000
Issued and fully paid:	
500,000,000 ordinary shares	900

A summary of the movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital S$'000	Share premium S$'000	Total S$'000
At 31 December 2015 and 1 January 2016	—	—	—	—
Shares issued under the reorganisation exercise (note (a))	375,000,000	675	1,394	2,069
Shares issued under the initial public offering ("IPO") (note (b))	125,000,000	225	8,549	8,774
	500,000,000	900	9,943	10,843
Shares issuance expenses	—	—	(961)	(961)
At 31 December 2016	500,000,000	900	8,982	9,882

Notes:

(a) In preparation for the listing of the shares of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent the reorganisation and 375,000,000 shares of HK$0.01 each, were issued for a total consideration of S$2,069,000, to acquire the shares of one of the subsidiaries.

(b) In connection with the Company's IPO, 125,000,000 shares of HK$0.01 each, were issued at a price of HK$0.40 per share for a total cash consideration, before listing expenses, of S$8,774,000. Dealings of these shares on the Stock Exchange commenced on 8 November 2016.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

24. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

Available-for-sale investment revaluation reserve

Available-for-sale investment revaluation reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

Merger reserve

Merger reserve represents the difference between the consideration paid and the share capital of the acquired entities under common control.

Share premium

Share premium represents the difference between the nominal value and the issuing value of the shares.

The addition of S$8,982,000 during the year ended 31 December 2016 represents the issuance of shares for the acquisition of a subsidiary and the placement issue, net of shares issuance expenses attributed to the issuance of new shares.

25. LEASE ARRANGEMENTS

Operating lease commitments — as lessee

The Group leases certain of its service centres and its office equipment under operating lease arrangements. Leases for properties are negotiated for terms of three years.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 S$'000	2015 S$'000
Within one year	988	740
In the second to fifth years, inclusive	1,771	510
	2,759	1,250

26. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Maximum outstanding with a director during the reporting period:

	2016 S$'000	2015 S$'000
Due from Kelvin Lim	—	5,505

Note:

The balances with a director were unsecured, interest-free and had no fixed terms of repayment. The carrying amounts of these balances approximated to their fair values. The outstanding balances due from/to a director, on a net basis, was settled against the 2015 interim dividends of S$3,343,000 during the year ended 31 December 2015.

(b) Significant related party transactions during the reporting period are as follows:

	2016 S$'000	2015 S$'000
Rental income received from a director-related company	—	28
Cost of materials purchased from a director-related company	—	21

The transactions were paid to Werkz Incorporation Pte. Ltd., a company which Kelvin Lim was a director from 22 May 2015 to 25 September 2015, at prices mutually agreed by both parties.

(c) Compensation of key management personnel of the Group:

	2016 S$'000	2015 S$'000
Salaries, allowances and benefits in kind	381	311
Discretionary performance-related bonuses	19	37
Pension scheme contributions	40	35
	440	383

Further details of directors' emoluments are included in note 8 to the financial statements.

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2016

Financial assets

	Loans and receivables S$'000	Available-for-sale financial assets S$'000	Total S$'000
Available-for-sale investment	—	463	463
Trade and other receivables	7,427	—	7,427
Cash and cash equivalents	6,789	—	6,789
	14,216	463	14,679

Financial liabilities

	Financial liabilities at amortised cost S$'000
Financial liabilities included in trade and other payables	2,529
Interest-bearing bank and other borrowings	1,924
	4,453

As at 31 December 2015

Financial assets

	Loans and receivables S$'000	Available-for-sale financial assets S$'000	Total S$'000
Available-for-sale investment	—	443	443
Trade and other receivables	2,165	—	2,165
Cash and cash equivalents	5,831	—	5,831
	7,996	443	8,439

Financial liabilities

	Financial liabilities at amortised cost S$'000
Financial liabilities included in trade and other payables	1,963
Interest-bearing bank and other borrowings	2,336
	4,299

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts	
	2016	2015
	S$'000	S$'000
Financial assets		
Available-for-sale investment	463	443
Trade and other receivables	7,427	2,165
Cash and cash equivalents	6,789	5,831
	14,679	8,439

	Fair values	
	2016	2015
	S$'000	S$'000
Financial assets		
Available-for-sale investment	463	443
Trade and other receivables	7,427	2,165
Cash and cash equivalents	6,789	5,831
	14,679	8,439

	Carrying amounts	
	2016	2015
	S$'000	S$'000
Financial liabilities		
Financial liabilities included in trade and other payables	2,529	1,963
Interest-bearing bank and other borrowings	1,924	2,336
	4,453	4,299

	Fair values	
	2016	2015
	S$'000	S$'000
Financial liabilities		
Financial liabilities included in trade and other payables	2,529	1,963
Interest-bearing bank and other borrowings	1,924	2,336
	4,453	4,299

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables and interest-bearing bank and other borrowings (current portion) approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate their fair values:

The fair values of non-current interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities as disclosed in the note 21 to the financial statements.

The fair value of the available-for-sale investment has been estimated based on the surrender value of the policy as disclosed in note 16 to the financial statements.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk, interest rate risk and liquidity risk. The Group's overall risk management objective is to effectively manage these risks and seek to minimise potential adverse effects on the financial performance of the Group. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group adopts the policy of dealing only with customers with appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For financial assets, the Group adopts the policy of dealing with financial institutions and other counterparties with high credit ratings.

Customers' payment profile and credit exposure are continuously monitored by the Company.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the statement of financial position. The Group's major classes of financial assets are cash and cash equivalents and trade and other receivables.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 18 to the financial statements.

Foreign currency risk

The Group has currency exposures arising from sales, purchases and interest-bearing bank and other borrowings that are denominated in a currency other than the respective functional currencies of the group entities, primarily Singapore dollar. The currency giving rise to this risk is primarily the Hong Kong dollar.

The Group's exposure to foreign currencies in respect of financial assets and liabilities is disclosed in the respective notes to the financial statements.

The following demonstrates the sensitivity to a reasonably possible change in United States dollar and Hong Kong dollar ("HK$") against the Singapore dollar, with all other variables held constant, of the Group's (loss)/profit before tax:

	2016 S$'000	2015 S$'000
US$ against S$		
— strengthened 6% (2015: 6%)	—	(13)
— weakened 6% (2015: 6%)	—	13
HK$ against S$		
— strengthened 6% (2015: nil)	(183)	—
— weakened 6% (2015: nil)	183	—

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings.

As at 31 December 2016 and 2015, the Group had interest-bearing bank and other borrowings of S$1,924,000 and S$2,336,000. If SGD interest rates had been 300 basis points higher/lower with all other variables held constant, the Group's (loss)/profit before tax would have been S$58,000 and S$70,000 lower/higher for the years ended 31 December 2016 and 2015, respectively, mainly as a result of the higher/lower interest expense on floating rate loans and borrowings.

Liquidity risk

The Group manages liquidity risk by maintaining cash and available funding through committed credit facilities sufficient to enable it to meet its operational requirements.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

As at 31 December 2016	Within 1 year S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total S$'000
Financial liabilities included in trade and other payables	2,529	—	—	2,529
Interest-bearing bank and other borrowings	331	678	1,390	2,399
	2,860	678	1,390	4,928

As at 31 December 2015	Within 1 year S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total S$'000
Financial liabilities included in trade and other payables	1,963	—	—	1,963
Interest-bearing bank and other borrowings	379	580	2,972	3,931
	2,342	580	2,972	5,894

Capital management

The primary objective of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide adequate cash flows to meet its operating requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio, which is interest-bearing bank and other borrowings divided by the total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios are as follows:

	2016 S$'000	2015 S$'000
Interest-bearing bank and other borrowings	1,924	2,336
Equity attributable to owners of the Company	14,329	7,088
Gearing ratio	0.1	0.3

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the company at the end of the reporting period is as follows:

	2016 S$'000	2015 S$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	2,069	—
Total non-current assets	2,069	—
CURRENT ASSETS		
Amounts due from subsidiaries	4,324	—
Cash and cash equivalents	177	—
Total current assets	4,501	—
CURRENT LIABILITIES		
Other payables	90	—
Total current liabilities	90	—
NET CURRENT ASSETS	4,411	—
Net assets	6,480	—
EQUITY		
Share capital	900	—
Reserves	5,580	—
Total equity	6,480	—

A summary of the Company's reserves is as follows:

	Share premium S$'000	Retained profits S$'000	Total S$'000
At 17 March 2016 (date of incorporation)	—	—	—
Total comprehensive income for the period from 17 March 2016 to 31 December 2016	—	(3,402)	(3,402)
Issuance of shares from reorganisation exercise	1,394	—	1,394
Issuance of new shares in connection with initial public offering	8,549	—	8,549
Shares issuance expenses	(961)	—	(961)
At 31 December 2016	8,982	(3,402)	5,580

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 24 March 2017.

FINANCIAL SUMMARY

Results	2016 S$'000	2015 S$'000	2014 S$'000
Revenue	16,791	15,814	15,491
(Loss)/profit before taxation	(270)	2,054	2,612
Income tax expense	(301)	(338)	(413)
(Loss)/profit for the year	(571)	1,716	2,199

Assets and Liabilities	2016 S$'000	2015 S$'000	2014 S$'000
Total assets	19,412	12,219	12,881
Total liabilities	5,083	5,131	6,535
Total equity	14,329	7,088	6,346

Note:

The financial information for the years ended 31 December 2014 and 2015 were extracted from the prospectus of the Company dated 31 October 2016. No financial statements of the Group for the years ended 31 December 2012 and 2013 have been published. The summary above does not form part of the audited financial statements.