ZHENG LI HOLDINGS LIMITED
正力控股有限公司

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8283

2018
ANNUAL REPORT

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This report, for which the directors (the "Directors", each a "Director") of Zheng Li Holdings Limited (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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. CHUA Boon Hou (Cai Wenhao)
Mr. CHEN Feng *(appointed on 27 June 2018, resigned on 15 February 2019)*
Mr. YAN Jianqiang (Co-Chairman and Chief Executive officer) *(appointed on 12 October 2018)*
Mr. YUAN Guoshun (Co-Chairman) *(appointed on 7 November 2018)*
Mr. LIM Kong Joo *(resigned on 23 April 2018)*
Mr. SO Zelong *(retired, effective from 12 June 2018)*
Mr. WANG Jingan *(retired, effective from 12 June 2018)*
Mr. Kelvin LIM *(resigned on 30 November 2018)*

NON-EXECUTIVE DIRECTORS

Mr. DU Xianjie *(resigned on 4 July 2018)*
Mr. WU Tangqing *(appointed on 23 April 2018)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Yiu Cho
Mr. ZHANG Guangdong *(appointed on 27 June 2018)*
Mr. DENG Bin *(appointed on 12 October 2018)*
Ms. POK Mee Yau *(resigned on 12 October 2018)*
Mr. LIU Ji *(resigned on 12 October 2018)*

AUDIT COMMITTEE

Mr. LIU Ji *(Chairman, resigned on 12 October 2018)*
Mr. LEUNG Yiu Cho *(Chairman, appointed on 12 October 2018)*
Ms. POK Mee Yau *(resigned on 12 October 2018)*
Mr. ZHANG Guangdong *(appointed on 27 June 2018)*
Mr. DENG Bin *(appointed on 12 October 2018)*

REMUNERATION COMMITTEE

Mr. LEUNG Yiu Cho *(Chairman)*
Mr. LIU Ji *(resigned on 12 October 2018)*
Mr. Kelvin LIM *(resigned on 30 November 2018)*
Mr. ZHANG Guangdong *(appointed on 27 June 2018)*
Mr. YAN Jianqiang *(appointed on 30 November 2018)*

NOMINATION COMMITTEE

Mr. ZHANG Guangdong *(Chairman, appointed on 12 October 2018)*
Mr. DENG Bin *(appointed on 12 October 2018)*
Mr. YAN Jianqiang *(appointed on 30 November 2018)*
Ms. POK Mee Yau *(Chairman, resigned on 12 October 2018)*
Mr. LIU Ji *(resigned on 12 October 2018)*
Mr. Kelvin LIM *(resigned on 30 November 2018)*

RISK MANAGEMENT COMMITTEE

Mr. CHUA Boon Hou (Cai Wenhao)
Mr. ZHANG Guangdong *(Chairman, appointed on 12 October 2018)*
Mr. YAN Jianqiang *(appointed on 30 November 2018)*
Ms. POK Mee Yau *(Chairman, resigned on 12 October 2018)*
Mr. Kelvin LIM *(resigned on 30 November 2018)*

COMPLIANCE OFFICER

Mr. CHUA Boon Hou (Cai Wenhao)

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. CHUA Boon Hou (Cai Wenhao)
Mr. WONG Cheung Ki Johnny, FCPA, ACIS, ACS

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STOCK CODE

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COMPANY'S WEBSITE ADDRESS

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CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Zheng Li Holdings Limited (the "Company") and its subsidiaries (the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2018.

The Group recorded an increase in revenue by approximately S$3.6 million or 25.7% from approximately S$14.0 million for the year ended 31 December 2017 to approximately S$17.6 million for the year ended 31 December 2018. The increase was a result of the higher capacity and range of services mainly due to the expansion into the Sin Ming Autocity service centre. The Group recorded a loss for the year ended 31 December 2018 of approximately S$3.8 million compared to a loss of approximately S$2.0 million recorded for the year ended 31 December 2017. This was mainly due to: (i) an increase in employee-related expenses including, salary increments and bonuses for existing employees during 2018 and the increase in headcount for the expansion of our business at the Sin Ming Autocity service centre, resulting the employee benefit expenses increased from approximately S$5.1 million for the year ended 31 December 2017 to approximately S$5.7 million for the year ended 31 December 2018; (ii) an increase in depreciation of property, plant and equipment due to a full year depreciation for the assets acquired for the Sin Ming Autocity service centre expansion around September 2017; and (iii) an increase in our rental expense due to commencement of operation at Sin Ming Autocity service centre and the costs of setting up the new subsidiaries in People's Republic of China (the "PRC").

Moving forward to 2019, the automobile market in Singapore will face a shift due to the car and motorcycle zero growth policy with effect from February 2018. This is expected to introduce uncertainty in the passenger car market. We remain cautiously optimistic on the outlook of 2019 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. In addition, private car hire services are growing at an unprecedented rate in the Singapore transportation market, presenting new business opportunities and considerations for the Group. With the steady growth in demanding for high quality after-sales service, the Group is constantly looking for opportunities to expand our services and products, and increase our customer base in order to maintain our position as one of the leading automotive service providers in Singapore.

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

Yours sincerely,
YUAN Guoshun
Co-Chairman and Executive Director

29 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading automotive service provider in Singapore. We have over 15 years of experience in the passenger car service industry, and offer a comprehensive range of passenger car services including: (i) maintenance and repair services; (ii) modification, tuning and grooming services; and (iii) provision of extended warranty program. We have the capability to maintain and repair a wide range of brands of passenger cars in Singapore and are equipped with diagnostic equipments 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, PRC and Thailand.

The 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.

In 2018, the Group planned for new development strategies such as new energy car "car sharing" and "new retail sales". Leveraging on the dual momentum of industrial development and capital operation and taking advantage of the "Internet +" trend, we seek to create new growth driver for our business in relation to car related industries such as car sales, car sharing and core spare parts. The new businesses will provide a prime opportunity for the Group to diversify the Group's scope of business, broaden the Group's sources of income and achieve better return to the shareholders.

On 27 July 2018, World Brilliant Investments Limited, an indirect wholly-owned subsidiary of the Company has established a direct subsidiary namely 深圳嗒程科技有限公司 (Shenzhen Dacheng Technology Limited*). It primarily engages in businesses such as the timeshare car rental and long-term car rental. It is committed to developing the "Internet +" car sharing and rental market in China.

On 3 August 2018, Dragon Hero International Limited, an indirect wholly-owned subsidiary of the Company has established a direct subsidiary namely 鄭州車主角汽車銷售有限公司 (Zhengzhou Car Zhujiao Car Sales Limited*). With an innovative concept of platform operation, it provides its customers with an innovative car rental and sales integrated service platform which covers car sales, car financing service, car rental service and car insurance service.

* *For identification purpose only*

OUTLOOK

2018 is a year of many changes for the Singapore passenger car market. Since 1 January 2018, the government has implemented a new vehicular emissions scheme which replaces the Carbon Emissions based Vehicle Scheme. This new scheme is a more stringent one in terms of rebates and surcharges, as it takes into account various pollutants besides carbon dioxide. Only full-electric cars will qualify for the top-tier rebate of S$20,000 under this new scheme. In February 2018, the Singapore government implemented a zero car and motorcycle growth rate policy. The new policy will result in a number of changes in the market, including an expected fall of total registered vehicles in Singapore, and increased retention of vehicles via renewed certificate of entitlements.

In addition, the market for taxi transportation services has reportedly doubled since private hire and self-operated car services have begun operating in Singapore. The total number of chauffeur-driven private-hire cars is about 1.5 times that of taxis, according to the numbers released by the Land Transport Authority of Singapore in 2017. The private-hire car industry is expected to grow and evolve further. This presents an opportunity for the Group to increase its customer base, with private car owners that increasingly require maintenance and repair services. The Group aims to continue to increase the customer base in the highly fragmented passenger car maintenance and repair market, by enhancing the servicing capacity, market reputation and service quality. The Group will pursue the following key business strategies: (i) continue to strengthen the leading market position in Singapore and expand the 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.

Since September 2017, the Group began operating additional units of workshops at the new Sin Ming Autocity service centre, a new 8 storey complex located across the existing Sin Ming Autocare service centre. The new workshops 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. The Group has expanded its services to include car bodywork involving panel beating and spray painting which we subcontracted previously. This expansion allowed 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. The Group has been appointed by several insurance companies, as an Authorised Repairer, where we render repair services in respect of the insured vehicles. Further, the Group has entered into an agreement with an international insurance company and offer warranty program ("Extended Warranty Program") to both new and used passenger cars. Under the Extended Warranty Program, the Group provides authorised automobile repair and maintenance services for the insured customers and receive a warranty revenue from the program. The Extended Warranty Program allows the Group to provide supplemental services to its existing customers and expand its customer base.

Moving forward, the Group will focus on maintaining its leading position in the Singapore passenger car market. We shall continue to expand our service and product offerings as customer demands and trends shift. The 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. Looking ahead and analysing the broader market development, with the global push towards electrification of transport, the global electric car market will likely transition from early deployment to mass market adoption in the next 10 to 20 years.

In Singapore, the government has already implemented policies and incentives such as the new vehicular emissions scheme where only full-electric cars will qualify for the top-tier rebate of S$20,000 under this new scheme. Other initiatives include the launch of the first electric vehicle sharing service in December 2017 with 80 cars and 32 charging stations across the island. On 31 July 2018, the Land Transport Authority (LTA) has granted a full-fledged Taxi Service Operator Licence to operate at least 800 electric taxis within four years of receiving the licence, or by 31 July 2022. Currently, Grab operates the largest electric and hybrid vehicle fleet in South East Asia and it is to bring in 200 new electric vehicles which will be rolled out in Singapore from early 2019. Adoption rate in Singapore will largely be affected by government policies and incentives and availability of charging stations across the island. In preparation of the market developments, the Group will continue to pursue technological advancement in both repair equipment and new vehicle engine type to ensure that our technicians continuously upgrade their skills and technical knowledge in order for them to be able to service a wide range of brands of passenger cars which drives the future development of the car maintenance and repair market in Singapore.

FINANCIAL REVIEW

REVENUE

Revenue of the Group increased by approximately S$3.6 million or 25.7% from approximately S$14.0 million for the year ended 31 December 2017 to approximately S$17.6 million for the year ended 31 December 2018. The increase was a result of the higher capacity and range of services mainly due to the expansion into the Sin Ming Autocity service centre.

EMPLOYEE BENEFITS EXPENSE

The Group's employee benefits expense increased by approximately S$0.6 million or 11.8% from approximately S$5.1 million for the year ended 31 December 2017 to approximately S$5.7 million for year ended 31 December 2018. This is mainly due to an increase in employee headcount in line with the business expansion at the Sin Ming Autocity service centre. In addition, there were increased salary increments and bonuses for existing employees during 2018.

OTHER EXPENSES

The Group's other expenses increased by approximately S$1.3 million or 37.1% from approximately S$3.5 million for the year ended 31 December 2017 to approximately S$4.8 million for the year ended 31 December 2018. This is mainly due to an increase in rental expense due to commencement of operation at Sin Ming Autocity service centre and the costs of setting up the new PRC subsidiaries.

LOSS FOR THE YEAR

The Group recorded a loss for the year ended 31 December 2018 of approximately S$3.8 million compared to a loss of approximately S$2.0 million recorded for the year ended 31 December 2017. This was mainly due to the combined effects of: (i) an increase in employee-related expenses including, salary increments and bonuses for existing employees during 2018 and the increase in headcount for the expansion of the business at the Sin Ming Autocity service centre, resulting the employee benefit expenses increased from approximately S$5.1 million for the year ended 31 December 2017 to approximately S$5.7 million for the year ended 31 December 2018; (ii) an increase in depreciation of property, plant and equipment due to a full year depreciation for the assets acquired for the Sin Ming Autocity service centre expansion around September 2017; and (iii) an increase in the rental expense due to commencement of operation at Sin Ming Autocity service centre and the costs of setting up the new PRC subsidiaries.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

CASH POSITION

The cash and bank balances amounted to approximately S$1.7 million and S$1.1 million as at 31 December 2018 and 2017 respectively. The functional currency of the Group is the Singapore dollar. As at 31 December 2018, 40.0% of the Group's cash and bank balances was denominated in the functional currency (31 December 2017: 57.0%) and the remaining 60.0% (31 December 2017: 43.0%) in other currencies, mainly the Hong Kong dollar and Renminbi.

The Group's primary sources of funds during the year was cash generated from operating activities. The Group had net cash flows from operating activities of approximately S$4.0 million mainly due to (i) a decrease in trade and other receivables as a result of improved collections; and (ii) an increase in trade and other payables.

Particulars of the Group's bank facilities as at 31 December 2018 are set out in Note 22 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 0.3 as at 31 December 2018 (31 December 2017: 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 is set out in Note 32 to the financial statements.

CHARGE ON ASSETS

The Group's long term loan are not secured by a legal mortgage of the Group's freehold property as at 31 December 2018. As at 31 December 2017, the Group's long term loans are secured by a legal mortgage of the Group's freehold property which had a carrying amount of approximately S$2.3 million. Details of the Group's charge on assets as at 31 December 2018 are set out in Note 22 to the financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total number of 94 full-time employees (31 December 2017: 93). 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 the 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING

As at the date of this report, the Board does not have any plan for material investments or capital assets.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2018 (2017: Nil).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 31 October 2016 (the "Prospectus") with the Group's actual business progress is set out as follows:

Business Objective	Actual Progress up to 31 December 2018
Expand our servicing capacity	The Group leased Unit 01-16 Sin Ming Drive which was operational in 3rd quarter of 2016. The Group secured 9 units and 1 unit of workshops at Sin Ming Autocity in 2nd quarter of 2017 and 4th quarter of 2017 respectively.
Expand and train our workforce	As part of the Group's plan to increase our service output, the Group employed additional 26 staff including 18 technical staff, 6 human resource and administrative staff and 2 insurance staff. The Group will continue to retain sufficient experienced employees and identify talented candidate to improve the value of our human resources.
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. The Group has enhanced its website and appointed an external vendor to design an application for a loyalty program for the Group. During the period under review, the Group also launched a few sales and marketing promotions.
Strengthen our operational efficiency	The Group procured and completed the integration of a new payroll system and 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. New hard drives, computers and other IT related peripherals were also purchased during the period.
To lower our gearing ratio	The Group has fully repaid the short-term US dollar bank loan in 1st quarter of 2017.

USE OF PROCEEDS

The amount of the net proceeds from the placing of 125,000,000 new shares of the Company on 8 November 2016 (the "Placing"), after deducting the expenses relating to the initial public offering paid by the Company, is approximately HK$24.6 million (the "Net Proceeds"). The actual net proceeds from the Placing was different from the estimated net proceeds of approximately HK$26.3 million as set out in the Prospectus. As announced on 8 May 2017, the Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, which is:

	Approximate Percentage of net proceeds %
Expand our servicing capacity	57.4
Expand and train our workforce	17.5
Strengthen our brand and sales and marketing	9.9
Upgrade our information technology system	8.4
Partial repayment of bank loan	5.3
Working capital and general corporate purposes	1.5

As at 31 December 2018, the Group has applied and utilised the Net Proceeds as follows:

	Amount of usage of Net Proceeds up to 31 December 2018	
	Planned amount HK$'million	Actual usage HK$'million
Expand our servicing capacity	14.1	14.1
Expand and train our workforce	4.3	4.3
Strengthen our brand and sales and marketing	2.4	2.4
Upgrade our information technology system	2.1	2.1
Partial repayment of bank loan	1.3	1.3
Working capital and general corporate purposes	0.4	0.4
	24.6	24.6

As at 31 December 2018, we had fully utilised the Net Proceeds.

DIRECTORS AND SENIOR MANAGEMENT

The 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 the Board include convening shareholders' meetings, reporting on the 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, the 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. YUAN Guoshun (袁國順) ("Mr. Yuan"), aged 48, is a co-chairman of the Board and executive Director. Mr. Yuan is primarily responsible for overall leadership in the business development of the Company in the PRC region. Mr. Yuan was appointed to the Board on 7 November 2018.

Mr. Yuan has served in companies engaged in food production and sales and corporation management consulting for 20 years, with hands-on experience in corporate management. After his graduation from the Executive Master of Business Administration (EMBA) Training Course of Peking University (北京大學高級工商管理EMBA研修班) from June 2014 to June 2015, he has served in various companies such as 河南奧克調味品有限公司 (Henan Aoke Condiments Co., Ltd.*) and 河南壹玖實業有限公司 (Henan One Nine Industry Co., Ltd.*), where he was responsible for corporation management. In particular, he is experienced in corporation management.

Mr. YAN Jianqiang (燕建強) ("Mr. Yan"), aged 42, is a co-chairman of the Board, chief executive officer and executive Director. He is the responsible person providing leadership to and overseeing the management of the Board. Mr. Yan was appointed to the Board on 12 October 2018. He is also a member of each of the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the risk management committee (the "Risk Management Committee").

Mr. Yan has continuously served in automotive accessories sales and internet companies for 20 years with hands-on experience in the corporate management industry. Since his graduation from Henan Business College in July 1998, he had served in various companies such as 鄭州市先河實業發展有限公司 (Zhengzhou Xianhe Industry Development Co., Ltd.*, the principal operation of which is sales of automotive parts and accessories), 河南華誼網絡科技有限公司 (Henan Huayi Network Technology Co., Ltd.*) and 河南東方禦道實業有限公司 (Henan Dongfang Yudao Industry Development Co., Ltd.*), where he was responsible for management duties in areas such as sales management and internet innovation. In particular, he is considerably experienced in internet technology management and the construction of the industry ecosystem of automotive accessories sales.

Mr. CHUA Boon Hou (Cai Wenhao) (蔡文豪) ("Mr. Chua"), aged 46, is the chief operating officer and an executive Director. He is primarily responsible for the management and operation of the Group such as implementing strategic management and monitoring key performance indicators of the 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 the Group and is responsible for the recruitment of new talents into the Group. Mr. Chua was appointed to the Board on 13 April 2016. He is also a member of the Risk Management Committee and the compliance officer of the Company. 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 the 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 the Group as an administrative manager in charge of the administration and customer services of the 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 the 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.

NON-EXECUTIVE DIRECTOR

Mr. WU Tangqing (吴堂青) ("Mr. Wu") aged 50, is the non-executive Director of the Company. Mr. Wu was appointed to the Board on 23 April 2018.

Mr. Wu is the chairman of 中能萬源(北京)汽車銷售股份公司 and has served as the chairman of 深圳匯世康聯投資管理有限公司 from March 2013 to August 2014. Mr. Wu has extensive experiences in finance, management and sales in the automobile industry, and obtained the qualifications of EMBA in Beijing University in 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Yiu Cho (梁耀祖) ("Mr. Leung"), aged 39, is an independent non-executive Director. He was appointed to the Board on 21 October 2016 and does not hold any position with other members of the Group. Mr. Leung has over 10 years of experience financial management and corporate finance. He is also the chairman of the audit committee (the "Audit Committee") and the Remuneration Committee.

Mr. Leung joined Primeview Holdings Ltd. (Stock Code: 0789), a company listed on the main board of the Stock Exchange ("Main Board"), as its chief financial officer in December 2013 and 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. Mr. Leung is also an independent non-executive director at CAA Resources Limited (Stock Code: 2112). 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.

Mr. ZHANG Guangdong (張廣東) ("Mr. Zhang") aged 42, is an independent non-executive Director of the Company. Mr. Zhang was appointed to the Board on 27 June 2018. He is also the chairman of the Nomination Committee and the Risk Management Committee, and a member of the Audit Committee and the Remuneration Committee.

Mr. Zhang holds a Master's degree in International Law. He has practiced as a lawyer in PRC since 2008 and served in various companies as a legal consultant. Mr. Zhang is a practicing solicitor of 河南鐵正律師事務所 (Henan Tiezhang Law Firm*). He has extensive experience in corporate legal management.

Mr. DENG Bin (鄧斌) ("Mr. Deng"), aged 51, is an independent non-executive Director of the Company. Mr. Deng was appointed to the Board on 12 October 2018. He is also a member of the Audit Committee and the Nomination Committee.

Mr. Deng has continuously served in the bamboo industry and companies engaging in the import and export of various commodities and technology for the past 30 years with hands-on experience in the production and sales of bamboo products and corporate management. From November 2013 to April 2015, he completed a core program of Business Administration in the School of Continuing Education of Tongji University. He had served in various companies such as 奉新春暉竹製品有限公司 (Fengxin Chunhui Bamboo Production Co., Ltd.*) and 江西泰豪竹業有限公司 (Jiangxi Tellhow Bamboo Industry Co., Ltd.*), where he was responsible for works such as marketing and corporate management. In particular, he excels in corporate strategy management.

SENIOR MANAGEMENT

Mr. LEE Tiang Soon (李展存) ("Mr. Lee"), aged 48, is the chief financial officer and joined the 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 the Group and matters relating to accounting, financial administration and the compliance and reporting obligations of the Group.

Mr. Lee formerly served as an executive director of CW Group Holdings Limited (Stock Code: 1322) ("CW Group") which is listed on the Main Board until his resignation in November 2018.

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 the Company's meetings and perform all assignments required of him as the chief financial officer of the 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 the Group. Further, Mr. Lee has confirmed that he will devote sufficient time, resources and attention to his duties as a chief financial officer of the 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 the 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 the 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, the Directors are of the view, that Mr. Lee will be able to allocate sufficient time to discharge his duties as a chief financial officer of the Group and his future contributions will be most beneficial to the 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 the 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 56, the finance manager, joined the Group in March 2011 as its account manager and was appointed as the Group's finance manager in April 2016. Ms. Lee has over 16 years of experience in the auditing and accounting and is responsible for the management of the Group's financing and accounting matters.

Prior to joining the 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 36, joined the Group on 13 April 2016 as the company secretary of the Company (the "Company Secretary").

Mr. Wong is currently a director of a corporate services company and the sole proprietor of an accounting firm. Mr. Wong has over 13 years of accounting and financial experience. Mr. Wong was admitted as a member of the Hong Kong Institute of Certified Public Accountants in February 2009, a fellow of the Hong Kong Institute of Certified Public Accountants in July 2016, an associate of The Hong Kong Institute of Chartered Secretaries in December 2016, a fellow of The Hong Kong Institute of Chartered Secretaries in March 2018, an associate of The Institute of Chartered Secretaries and Administrators in December 2016, and a fellow of The Institute of Chartered Secretaries and Administrators in March 2018.

Mr. Wong obtained a degree of bachelor of business administration in accounting from The Hong Kong University of Science and Technology in November 2005 and a degree of master of corporate governance from The Hong Kong Polytechnic University in September 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.

Pursuant to code provision A.2 of the Corporate Governance Code as set out in 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. YAN Jianqiang is currently a co-chairman and the chief executive officer of the Group. The Board believes that vesting the roles of both co-chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Save as disclosed above, the Directors consider that throughout the year ended 31 December 2018, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.

BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board diversity (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. Under the Board Diversity Policy, the Company considers diversity of Board members to be achieved through consideration of a number of aspects, including but not limited to, gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments are based on merit, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

NOMINATION POLICY

The Company was adopted a nomination policy on 15 March 2019, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors. The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure the Board has a balance of skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business. Collectively, they have competencies in areas which are relevant and valuable to the Group.

DIVIDEND POLICY

The Company has adopted a dividend policy on 15 March 2019 in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(a) the Company's current and future operations, actual and expected financial performance;

(b) any corporate development plans;

(c) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(d) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(e) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

The recommendation of the payment of dividend is subject to the determination of the Board, and, any declaration of final dividend for the year will be subject to the approval of the Shareholders. The payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and amended and restated memorandum and articles of association of the Company.

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 for the year ended 31 December 2018.

THE BOARD

The Directors of who held office during the year ended 31 December 2018 and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. YAN Jianqiang *(appointed on 12 October 2018) Co-chairman and Chief Executive Officer*
Mr. YUAN Guoshun *(appointed on 7 November 2018) Co-chairman*
Mr. Kelvin LIM *(resigned on 30 November 2018)*
Mr. WANG Jingan *(retired, effective from 12 June 2018)*
Mr. CHUA Boon Hou (Cai Wenhao)
Mr. LIM Kong Joo *(resigned on 23 April 2018)*
Mr. SO Zelong *(retired, effective from 12 June 2018)*
Mr. CHEN Feng *(appointed on 27 June 2018, resigned on 15 February 2019)*

NON-EXECUTIVE DIRECTOR

Mr. WU Tangqing *(appointed on 23 April 2018)*
Mr. DU Xianjie *(resigned on 4 July 2018)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Yiu Cho
Mr. ZHANG Guangdong *(appointed on 27 June 2018)*
Mr. DENG Bin (appointed on 12 October 2018)
Ms. POK Mee Yau (resigned on 12 October 2018)
Mr. LIU Ji (resigned on 12 October 2018)

Biographical details of the Directors are shown on pages 12 to 14 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, Nomination Committee and Risk Management Committee to oversee specific areas of the Company's affair. 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 website of the Company and the Stock Exchange.

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 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

During the reporting period, the Company at all time met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Directors 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.

THE BOARD COMMITTEES

AUDIT COMMITTEE

The Audit Committee of the Company was established on 21 October 2016 with written terms of reference which were revised and adopted on 15 March 2019 in compliance with the CG Code. The Audit Committee has three members, namely Mr. LEUNG Yiu Cho, Mr. ZHANG Guangdong and Mr. DENG Bin, each of whom is an independent non-executive Director. Mr. LEUNG Yiu Cho 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 the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board.

During the year ended 31 December 2018, the Audit Committee held 4 meetings, at which it has reviewed and discussed the Company's audited consolidated financial results for the year ended 31 December 2018, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's risk management and internal control systems as well as the Group's internal audit function. The Audit Committee has also recommended to the Board to consider the re-appointment of Ernst & Young as the Company's external independent auditors at the forthcoming annual general meeting.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established 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, an independent non-executive Director, Mr. ZHANG Guangdong, an independent non-executive Director and Mr. YAN Jianqiang an executive Director, co-chairman and chief executive officer. Mr. LEUNG Yiu Cho, 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 the Directors and senior management and make recommendations on employee benefit arrangements. No Director was involved in deciding his own remuneration.

During the year ended 31 December 2018, the Remuneration Committee held 6 meetings.

NOMINATION COMMITTEE

The Company established 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 Mr. ZHANG Guangdong, an independent non-executive Director, Mr. DENG Bin, an independent non-executive Director and Mr. YAN Jianqiang an executive Director, our co-chairman and chief executive officer. Mr. ZHANG Guangdong has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment and removal of Directors of the Company and to be responsible for reviewing the structure, size, diversity and composition of the Board on a regular.

During the year ended 31 December 2018, the Nomination Committee held 5 meetings, at which it (i) assessed the independence of the independent non-executive Directors, and (ii) recommended to the Board for consideration the re-appointment of all the retiring Directors at the forthcoming annual general meeting.

RISK MANAGEMENT COMMITTEE

The Company established the Risk Management Committee on 21 October 2016. The Risk Management Committee has three members, namely Mr. ZHANG Guangdong, an independent non-executive Director, Mr. YAN Jianqiang, an executive Director, co-chairman and chief executive officer and Mr. CHUA Boon Hou (Cai Wenhao), an executive Director. Mr. ZHANG Guangdong has been appointed as the chairman of the Risk Management Committee. The primary functions of the Risk Management Committee include reviewing (i) the Company's significant transactions, including tenancy agreements, together with the finance department, and (ii) the Company's risk management policies and standards, and monitoring the Company's exposure to sanctions law risks.

During the year ended 31 December 2018, the Risk Management Committee held 1 meeting, at which it reviewed and approved the internal audit reports and the annual audit plan provided by the internal audit team mentioned below, and considered that the Group's internal audit function is effective.

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.

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 during the year ended 31 December 2018 are set out below:

	Meetings attended/Meetings Held						
Name of the directors	Board meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Risk Management Committee Meetings	Annual general meetings	Extraordinary general meetings
Executive Directors							
Mr. LIM Kong Joo (resigned on 23 April 2018)	3/3	N.A.	N.A.	N.A.	1/1	N.A.	N.A.
Mr. SO Zelong (retired, effective from 12 June 2018)	0/4	N.A.	N.A.	N.A.	N.A.	0/1	N.A.
Mr. WANG Jingan (retired, effective from 12 June 2018)	0/4	N.A.	N.A.	N.A.	N.A.	0/1	N.A.
Mr. Kelvin LIM (resigned on 30 November 2018)	7/11	N.A.	4/5	3/5	1/1	1/1	N.A.
Mr. CHUA Boon Hou (Cai Wenhao)	10/11	N.A.	N.A.	N.A.	1/1	1/1	N.A.
Mr. CHEN Feng (appointed on 27 June 2018, resigned on 15 February 2019)	6/6	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. YAN Jianqiang (appointed on 12 October 2018)	3/3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. YUAN Guoshun (appointed on 7 November 2018)	2/2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Non-executive Directors							
Mr. DU Xianjie (resigned on 4 July 2018)	2/5	N.A.	N.A.	N.A.	N.A.	0/1	N.A.
Mr. WU Tangqing (appointed on 23 April 2018)	5/8	N.A.	N.A.	N.A.	N.A.	0/1	N.A.
Independent non-executive Directors							
Ms. POK Mee Yau (resigned on 12 October 2018)	7/8	2/3	N.A.	3/4	0/1	1/1	N.A.
Mr. LIU Ji (resigned on 12 October 2018)	8/8	3/3	4/4	4/4	N.A.	1/1	N.A.
Mr. LEUNG Yiu Cho	11/11	3/3	5/5	N.A.	N.A.	1/1	N.A.
Mr. ZHANG Guangdong (appointed on 27 June 2018)	6/6	2/2	2/2	2/2	N.A.	N.A.	N.A.
Mr. DENG Bin (appointed on 12 October 2018)	3/3	1/1	N.A.	1/1	N.A.	N.A.	N.A.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

In compliance with the Code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2018, the Directors were provided with timely updates on the Company's performance, financial position and Prospectus to enable the Board as a whole and each Director to discharge their duties.

The Group continuously updated the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements, as well as providing Director's training to the newly appointed Directors so as to ensure each Director is aware of his responsibilities and obligations under the GEM Listing Rules and relevant regulations, and maintaining good corporate governance practices.

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 ended 31 December 2018, 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, is as follows:

Nature of service	2018 Amount S$'000
Audit services	217
Non-audit services	35
Total	252

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 the 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. 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 EGM 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 at Room 1001, 10th Floor, Shui On Centre, Nos.6-8 Harbour Road, Hong Kong or by email to enquiries@zhengliholdings.com.

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 2018, 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 the Hong Kong office or the Company Secretary by mail to 9th 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 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the passenger car service industry and offer a comprehensive range of passenger car services including:

1) maintenance and repair of services;

2) modification, tuning and grooming services; and

3) provision of extended warranty program.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis in this report. This discussion forms part of this directors' report.

PRINCIPAL RISKS 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 the 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. 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 2018, sales to the Group's five largest customers accounted for approximately 11.5% of total sales including sales to the largest customer which accounted for approximately 3% of total sales. The Group's five largest suppliers accounted for approximately 39% of total purchases during the year ended 31 December 2018 and purchases from the largest supplier included therein amounted to approximately 12% 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 2018.

SEGMENT INFORMATION

An analysis of the Group's performance for the year under review 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 the year ended 31 December 2018 (2017: Nil).

During the year ended 31 December 2018, there was no arrangement under which any Shareholder waived or agreed to waive any dividend.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

For details, please refer to pages 11 of the Management Discussion and Analysis in this report.

CHARITABLE DONATIONS

The Group did not make any material charitable donations during the year ended 31 December 2018 (2017: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published result and assets, liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 102. 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 26 to the financial statements. Details about the issuance of Shares are also set out in Note 26 to the financial statements.

PURCHASES, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

The Company or any of its subsidiaries has not purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

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 year ended 31 December 2018 and up to the date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. CHUA Boon Hou (Cai Wenhao)
Mr. YAN Jianqiang (Co-Chairman and Chief Executive officer) *(appointed on 12 October 2018)*
Mr. YUAN Guoshun (Co-Chairman) *(appointed on 7 November 2018)*
Mr. LIM Kong Joo *(resigned on 23 April 2018)*
Mr. SO Zelong *(retired, effective from 12 June 2018)*
Mr. WANG Jingan *(retired, effective from 12 June 2018)*
Mr. Kelvin LIM *(resigned on 30 November 2018)*
Mr. CHEN Feng *(appointed on 27 June 2018, resigned on 15 February 2019)*

NON-EXECUTIVE DIRECTOR

Mr. WU Tangqing *(appointed on 23 April 2018)*
Mr. DU Xianjie *(resigned on 4 July 2018)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Yiu Cho
Mr. ZHANG Guangdong *(appointed on 27 June 2018)*
Mr. DENG Bin *(appointed on 12 October 2018)*
Ms. POK Mee Yau *(resigned on 12 October 2018)*
Mr. LIU Ji *(resigned on 12 October 2018)*

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the listing date or the appointment 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 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 2018, 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 the 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 the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any entity which the 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 the Company, or any of its subsidiaries or associated companies or any other person whom the Board considers, in its sole discretion, has contributed or will contribute to the 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 the Board from time to time on the basis of their contribution to the development and growth of the Group and any Invested Entity. Unless otherwise determined by the 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 the 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 the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Offer is made by the Company to the Grantee (which date must be a Business Day, "Offer Date"); (b) a price being the average of the closing prices of the Shares as stated in the 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 the Shares where the 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 the Company on acceptance of the offer for the grant of an Option is HK$1.00, which shall be payable within the period as the 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 2018, 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 2018. The Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at 31 December 2018, nor has there been any exercise, redemption, purchase or cancellation made the during the year ended 31 December 2018 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 2018, 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	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company as at 31 December 2018[1]
Mr. LI Jie	Beneficial owner	145,795,000	29.16%
Mdm. HAN Mei[2]	Interest of spouse	145,795,000	29.16%

Notes:

(1) This is based on the total Shares in issue as at 31 December 2018, being 500,000,000.

(2) Mdm. HAN Mei is the spouse of Mr. LI Jie ("Mrs. Li"). Under the SFO, Mrs. Li is deemed to be interested in the same number of Shares in which Mr. LI Jie is interested.

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 2018 are set out in Note 8 to the financial statements in this report. During the year ended 31 December 2018, 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 29 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 ended 31 December 2018, 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 the 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 ended 31 December 2018.

COMPETITION AND CONFLICT OF INTEREST

During the year ended 31 December 2018, none of the Directors or substantial Shareholders of the Company or any of their respective close 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 ended 31 December 2018 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 ended 31 December 2018.

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 in existence during the year ended 31 December 2018.

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 2019.

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 2018 are set out in Note 22 to the financial statements.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 102 of this report. The summary does not form part of the audited financial statements.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group for the year ended 31 December 2018 are set out in the consolidated statement of changes in equity on page 45 and Note 27 to the financial statements.

As at 31 December 2018, the Company had approximately S$3.3 million distributable reserve (31 December 2017: S$4.7 million).

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the year ended 31 December 2018.

RETIREMENT SCHEMES

Particulars of retirement schemes are set out in Note 2.24 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

APPOINTMENT OF THE GROUP FINANCIAL CONTROLLER

Ms. YANG Ruiping (楊銳萍) ("Ms. Yang"), aged 31, is the group financial controller and joined the Group in 15 February 2019. Ms. Yang will assist the chief financial officer of the Group on the Group's corporate finance, accounting, external reporting, financial planning and analysis.

Ms. Yang has continuously engaged in finance and audit work for 10 years with hands-on experience in corporate financial management. She had served in various companies such as 河南萬豐會計師事務所 (Henan Wanfeng Accounting Firm*), 永發（河南）模塑科技發展有限公司 (Wingfat (Henan) Molded Fiber Technology Development Co., Ltd*) and 河南東方禦道實業有限公司 (Henan Dongfang Yudao Industry Development Co., Ltd.*), where she was responsible for comprehensive financial management in areas such as overall corporate financial audit and budget. She has extensive practical experience in organization and management framework design in corporate finance, financial internal control system development, comprehensive budget management, cost control, financial analysis and capital management. Ms. Yang holds a bachelor's degree in managerial economics from Zhengzhou University of Light Industry. Ms. Yang is a practicing member of Chinese Institute of Certified Public Accountants.

PROPOSED SHARE SUBDIVISION

The Board proposed to subdivide every one (1) existing issued and unissued Share of par value of HK$0.01 each in the share capital of the Company into four (4) subdivided shares of par value of HK$0.0025 each. Resolutions in relation to the proposed share subdivision will be proposed at the EGM of the Company to be held on Wednesday, 3 April 2019. For details of the proposed share subdivision, please refer to the announcement of the Company dated 21 February 2019 and the circular of the Company dated 14 March 2019.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATIONS

The Board proposes to make certain amendments to the Memorandum and Articles of Association for the purpose of, amongst others, (i) reflecting the new par value of the existing issued and unissued Shares of the Company; (ii) establishing and facilitating and facilitating the operation of a co-chairman structure of the Company; and (iii) other housekeeping amendments. Please refer to the announcement of the Company dated on 21 February 2019 for details of the proposed amendments.

The Board considered that the proposed amendments are in the interests of the Company and the Shareholders.

The proposed amendment are subject to consideration and approval by the Shareholders at the EGM to be held on Wednesday, 3 April 2019. A circular containing, amongst other things, the details of the proposed amendment was despatched to the Shareholders on Thursday, 14 March 2019.

Save as disclosed in this report, there were no important events affecting the Group that have occurred since 31 December 2018 up to the date of this report.

CORPORATE GOVERNANCE

Details of the corporate governance practice adopted by the Company are set out on pages 16 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 consolidated financial statements for the year ended 31 December 2018.

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, Certified Public Accountants, was appointed as the auditors of the Company for the year ended 31 December 2018. The Company has not changed its auditors since the listing date and up to the date of this report. Ernst & Young will 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. The consolidated financial statements for the year ended 31 December 2018 have been audited by Ernst & Young.

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
YUAN Guoshun
Co-Chairman and Executive Director

29 March 2019

INDEPENDENT AUDITOR'S REPORT

EY 安永

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 43 to 101, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 ("ISAs") 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
Loss allowance for trade receivables	
The Group's trade receivables were significant as they represented 11% of the Group's total assets as at 31 December 2018. Trade receivables amounted to S$2,114,000 as at 31 December 2018, against which an allowance for expected credit losses ("ECL") of S$315,000 was made. The Group uses a provision matrix to calculate the expected credit loss for trade receivables, which is determined based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The impairment assessment of trade receivables requires significant management. As such, we determined this as a key audit matter. The Group's disclosures of the loss allowance for trade receivables are included in notes 2.13, 3.2, and 18 to the consolidated financial statements.	We evaluated the Group's processes and controls relating to the monitoring of trade receivables and credit risks of customers. Our audit procedures included requesting trade receivable confirmations for selected trade debtors and checking to receipts from customers subsequent to the year end. We also evaluated management's assumptions and estimates used to determine the ECL through analyses of ageing of receivables, assessment of material overdue individual trade receivables, customers' payment history and correspondences between the Group and the customers. In addition, we evaluated management's assumptions and inputs used in the computation of historical loss rates and assessed the management's assumptions used in considering the forward-looking factors. We also assessed the adequacy of the relevant disclosures in the consolidated financial statements.
Allowance for inventory obsolescence	
As of 31 December 2018, the Group's inventories and allowance for obsolescence amounted to S$895,000 and S$316,000 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 2.17, 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.

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

29 March 2019

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 2018 with comparative figures for the corresponding period in the year 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2018 S$'000	2017 S$'000
REVENUE	5	**17,558**	13,964
Other income and gains	5	**383**	1,054
Items of expense			
Cost of materials		**(8,871)**	(7,030)
Marketing and advertising expenses		**(291)**	(395)
Employee benefits expense	9	**(5,741)**	(5,093)
Depreciation of property, plant and equipment	6	**(1,827)**	(845)
Amortisation of intangible asset	6	**(69)**	(49)
Reversal of allowance/(allowance) for trade receivables	18	**9**	(74)
Finance costs	7	**(135)**	(132)
Other expenses		**(4,792)**	(3,487)
LOSS BEFORE TAX	6	**(3,776)**	(2,087)
Income tax (expense)/credit	11	**(14)**	46
LOSS FOR THE YEAR		**(3,790)**	(2,041)
OTHER COMPREHENSIVE LOSS			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Changes in fair value		**—**	(30)
Income tax effect		**—**	5
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**—**	(25)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(3,790)**	(2,066)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted (S$ cents per share)	13	**(0.76)**	(0.41)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018 S$'000	2017 S$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**8,509**	10,130
Intangible asset	15	**665**	100
Financial asset at fair value through profit or loss	16	**449**	—
Available-for-sale investment	16	**—**	433
Prepayment		**62**	—
Total non-current assets		**9,685**	10,663
CURRENT ASSETS			
Inventories	17	**895**	1,214
Trade and other receivables	18	**3,159**	7,997
Prepayments		**1,304**	1,203
Cash and cash equivalents	19	**1,718**	1,133
Total current assets		**7,076**	11,547
CURRENT LIABILITIES			
Trade and other payables	20	**3,582**	4,995
Provisions	21	**24**	50
Interest-bearing bank and other borrowings	22	**941**	2,694
Deferred revenue		**—**	647
Contract liabilities	23	**1,102**	—
Tax payable		**27**	21
Total current liabilities		**5,676**	8,407
NET CURRENT ASSETS		**1,400**	3,140
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,085**	13,803
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	22	**1,590**	926
Provisions	21	**565**	565
Contract liabilities	23	**647**	—
Deferred tax liabilities	24	**48**	49
Total non-current liabilities		**2,850**	1,540
Net assets		**8,235**	12,263
EQUITY			
Share capital	26	**900**	900
Reserves	27	**7,335**	11,363
Total equity		**8,235**	12,263

The consolidated financial statements on pages 43 to 101 were approved and authorised for issue by the Board on 29 March 2019 and are signed on its behalf by:

YUAN Guoshun
Director

YAN Jianqiang
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/ (accumulated losses) S$'000	Foreign currency translation reserve S$'000	Total S$'000
At 1 January 2017	900	8,982	33	3,884	530	—	14,329
Loss for the year	—	—	—	—	(2,041)	—	(2,041)
Other comprehensive income for the year:							
Changes in fair value of an available-for-sale investment, net of tax	—	—	(25)	—	—	—	(25)
Total comprehensive loss for the year	—	—	(25)	—	(2,041)	—	(2,066)
At 31 December 2017 and 1 January 2018	900	8,982	8	3,884	(1,511)	—	12,263
Effects of adopting IFRS 9	**—**	**—**	**(8)**	**—**	**(229)**	**—**	**(237)**
Opening balance at 1 January 2018	**900**	**8,982**	**—**	**3,884**	**(1,740)**	**—**	**12,026**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(3,790)**	**—**	**(3,790)**
Foreign currency translation	**—**	**—**	**—**	**—**	**—**	**(1)**	**(1)**
At 31 December 2018	**900**	**8,982***	**—**	**3,884***	**(5,530)***	**(1)***	**8,235**

* These reserve accounts comprise the consolidated reserves of S$7,335,000 (2017: S$11,363,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 S$'000	2017 S$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(3,776)**	(2,087)
Adjustments for:			
Depreciation of property, plant and equipment	6	**1,827**	845
Amortisation of intangible asset	6	**69**	49
Net fair value gain on financial asset at fair value through profit or loss		**(16)**	—
Loss on disposal of property, plant and equipment	6	**113**	49
Write off of trade receivables		**81**	—
Finance costs		**113**	113
(Reversal of allowance)/allowance for trade receivables	6	**(9)**	74
Foreign exchange differences, net		**(9)**	50
Allowance for inventory obsolescence	6	**11**	147
Decrease in provisions		**(26)**	—
		(1,622)	(760)
Decrease/(increase) in inventories		**308**	(957)
Decrease/(increase) in trade and other receivables		**4,529**	(644)
Increase in prepayments		**(163)**	(677)
Increase in trade and other payables		**1,050**	3,043
Cash generated from operations		**4,102**	5
Interest paid		**(103)**	(109)
Income tax paid		**(9)**	(396)
Net cash flows from/(used in) operating activities		**3,990**	(500)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(875)**	(6,383)
Purchase of items of intangible asset	15	**(634)**	(126)
Proceeds from disposal of items of property, plant and equipment		**672**	71
Net cash flows used in investing activities		**(837)**	(6,438)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowing		**849**	1,628
Repayment of bank loans		**(2,626)**	(258)
Capital element of finance lease rental payments		**(799)**	(40)
Net cash flows (used in)/from financing activities		**(2,576)**	1,330
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**577**	(5,608)
Cash and cash equivalents at beginning of year		**1,133**	6,789
Effect of exchange rate changes on cash and cash equivalents		**8**	(48)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,718**	1,133
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**1,718**	1,133

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 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.

3) Provision of sales integrated service platform.

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 accessories
Oriental Achiever Limited	British Virgin Island	N.m.	100	—	Investment holding
Oriental Versed Limited	British Virgin Island	N.m.	100	—	Investment holding
World Brilliant Investments	Hong Kong	N.m.	—	100	Investment holding
Dragon Hero International Limited	Hong Kong	N.m.	—	100	Investment holding
Shenzhen Dacheng Technology Limited	PRC**	N.m.	—	100	Timeshare car rental and long-term car rental
Zhengzhou Car Zhujiao Car Sales Limited	PRC**	N.m.	—	100	Car rental and sales integrated service platform

* Audited by Ernst & Young, Singapore

** PRC represents the People's Republic of China excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan

N.m. Not meaningful Amount less than S$1,000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have 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"), and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, except for an investment in a life insurance policy, which has been measured at fair value. These 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 2018. 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 revised standards for the first time for the current year's financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 4 and *Annual Improvements* to *IFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	Notes	IAS 39 measurement Category	IAS 39 measurement Amount S$'000	Re-classification S$'000	ECL S$'000	Other S$'000	IFRS 9 measurement Amount S$'000	IFRS 9 measurement Category
Financial assets								
Available-for-sale investments		AFS[1]	433	(433)	—	—	—	N/A
To: Financial assets at fair value through profit or loss	(i)			(433)	—	—		
Trade receivables		L&R[2]	4,465	—	(237)	—	4,228	AC[3]
Financial assets included in other receivables		L&R	284	—	—	—	284	AC
Financial assets at fair value through profit or loss		FVPL[4]	—	433	—	—	433	FVPL
From: Available-for-sale investments	(i)			433	—	—		
Cash and cash equivalents		L&R	1,133	—	—	—	1,133	AC
			6,315	—	(237)	—	6,078	
Financial liabilities								
Trade and other payables		AC	4,806	—	—	—	4,806	AC
Interest-bearing bank and other borrowings		AC	3,620	—	—	—	3,620	AC
			8,426	—	—	—	8,426	

1 AFS: Available-for-sale investments

2 L&R: Loans and receivables

3 AC: Financial assets or financial liabilities at amortised cost

4 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in IFRS 9.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in note 18 to the financial statements.

	Impairment allowances under IAS 39 at 31 December 2017 S$'000	Re-measurement S$'000	ECL allowances under IFRS 9 at 1 January 2018 S$'000
Trade receivables	96	237	333
Financial assets included in other receivables	27	—	27
	123	237	360

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits S$'000
Fair value reserve under IFRS 9 (available-for-sale investment revaluation reserve under IAS 39)	
Balance as at 31 December 2017 under IAS 39	8
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	(10)
Deferred tax in relation to the above	2
Balance as at 1 January 2018 under IFRS 9	—
Retained profits	
Balance as at 31 December 2017 under IAS 39	(1,511)
Recognition of expected credit losses for trade receivables under IFRS 9	(237)
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	10
Deferred tax in relation to the above	(2)
Balance as at 1 January 2018 under IFRS 9	(1,740)

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. 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 disclosures are included in note 5 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.22 to the financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related interpretations.

Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as deferred revenue and deposits received from customers included in trade and other payables. Under IFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of IFRS 15, the Group reclassified S$647,000 from deferred revenue and S$130,000 from deposits received from customers included in trade and other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, S$1,749,000 was recognised as contract liabilities in relation to the consideration received from customers in advance.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC – Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

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

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

IFRS 16 replaces IAS 17 *Leases*, IFRIC – Int 4 *Determining whether an Arrangement contains a Lease*, SIC – Int 15 *Operating Leases – Incentives* and SIC – Int 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 elective 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of S$1,301,000 and lease liabilities of S$1,359,000 be recognised at 1 January 2019.

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 at 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) to ten (10) 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 (POLICIES UNDER IFRS 9 APPLICABLE FROM 1 JANUARY 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 marketplace.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS (POLICIES UNDER IAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

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, and 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 the consolidated statement of profit or loss and other comprehensive income. 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 (applicable before 1 January 2018)" 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.

2.12 DERECOGNITION OF FINANCIAL ASSETS (POLICIES UNDER IFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND POLICIES UNDER IAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

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 consolidated 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.

2.13 IMPAIRMENT OF FINANCIAL ASSETS (POLICIES UNDER IFRS 9 APPLICABLE FROM 1 JANUARY 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.14 IMPAIRMENT OF FINANCIAL ASSETS (POLICIES UNDER IAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

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 the 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.

2.15 FINANCIAL LIABILITIES (POLICIES UNDER IFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND IAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, 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.

2.16 DERECOGNITION OF FINANCIAL LIABILITIES (POLICIES UNDER IAS 39 APPLICABLE FROM 1 JANUARY 2018 AND IAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

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.

2.17 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average 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.

2.18 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement 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.

2.19 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 the consolidated statement of profit or loss and other comprehensive income.

2.20 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 the countries in which the Group operates.

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.21 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.

2.22 REVENUE RECOGNITION (APPLICABLE FROM 1 JANUARY 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) *Sale of goods*

Revenue from the sale of spare parts and accessories is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) *Rendering of services - maintenance and repair services*

The Group provides maintenance and repair services, which 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.

Revenue from maintenance and repair is recognised at the point in time when services have been rendered because the customer cannot simultaneously receives and consumes the benefits provided by the Group.

(c) *Provision of modification, tuning and grooming services*

The Group provides modification, tuning and grooming services that are either sold separately or bundled together with the sale of products to a customer. For bundled packages, the Group accounts for the sale of products and services separately. The modification, tuning and grooming services can be obtained from other providers and do not significantly customise or modify the products.

Contracts for bundled sales of products and services comprised of two performance obligations because the promises to transfer the products and provide installation services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative standalone selling prices of the products and modification, tuning and grooming services.

Revenue from modification, tuning and grooming services is recognised at the point in time when the services have been rendered because the customer cannot simultaneously receives and consumes the benefits provided by the Group.

(d) *Provision of sales integrated service platform*

Revenue from the provision of marketing platform to customer is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(e) *Sale of extended warranty*

Revenue from sale of extended warranty is recognised on a straight-line basis over the extended warranty period.

(f) *Rental income*

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

2.23 REVENUE RECOGNITION (APPLICABLE BEFORE 1 JANUARY 2018)

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.

2.24 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.

2.25 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.

2.26 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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the S$. As at the end of the reporting period, the assets and liabilities of these entities are translated into Singapore dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into S$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

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 JUDGEMENTS

In the process of applying the Group's accounting policies, management is of the opinion that there is no instance of application of judgement which is expected to have a significant impact on the amounts recognised in the consolidated financial statements, apart from those involving estimations described below.

3.2 ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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 2018 and 2017 was S$895,000 and S$1,214,000 respectively.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., unemployment rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three 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.

iii. The "others" segment comprises, principally, the provision of sales integrated service platform to the Group's customers.

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.

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 in accordance with IFRS *8 Operating Segments* is presented.

	Maintenance and repair services 2018 S$'000	Maintenance and repair services 2017 S$'000	Modification, tuning and grooming services and trading of spare parts and accessories 2018 S$'000	Modification, tuning and grooming services and trading of spare parts and accessories 2017 S$'000	Others 2018 S$'000	Others 2017 S$'000	Adjustments and eliminations 2018 S$'000	Adjustments and eliminations 2017 S$'000	Total 2018 S$'000	Total 2017 S$'000
Revenue:										
External customers	**13,599**	11,705	**3,564**	2,259	**395**	–	**–**	–	**17,558**	13,964
Intersegment	**172**	59	**78**	32	**–**	–	**(250)**	(91)	**–**	–
	13,771	11,764	**3,642**	2,291	**395**	–	**(250)**	(91)	**17,558**	13,964
Results:										
Cost of materials	**(6,750)**	(5,792)	**(2,327)**	(1,329)	**(44)**	–	**250**	91	**(8.871)**	(7,030)
Marketing and advertising expenses	**(211)**	(385)	**(15)**	(10)	**(63)**	–	**–**	–	**(289)**	(395)
Employee benefits expense	**(4,421)**	(4,009)	**(744)**	(704)	**(56)**	–	**–**	–	**(5,221)**	(4,713)
Depreciation and amortisation expense	**(1,652)**	(754)	**(176)**	(75)	**(16)**	–	**–**	–	**(1,844)**	(829)
(Allowance for)/reversal of allowance trade receivables	**(37)**	(58)	**46**	(16)	**–**	–	**–**	–	**9**	(74)
Other expenses	**(2,872)**	(2,246)	**(995)**	(446)	**(163)**	–	**338**	179	**(3,692)**	(2,513)
Segment (loss)/profit	**(2,172)**	(1,480)	**(569)**	(289)	**53**	–	**338**	179	**(2,350)**	(1,590)
Unallocated other expenses									**(1,102)**	(974)
Unallocated other income and gains									**383**	1,054
Unallocated depreciation and amortisation of other assets									**(52)**	(65)
Unallocated employee benefits expense									**(520)**	(380)
Unallocated finance costs									**(135)**	(132)
Loss before tax									**(3,776)**	(2,087)
Tax (expense)/credit									**(14)**	46
Loss for the year									**(3,790)**	(2,041)
Assets:										
Property, plant and equipment	**5,592**	7,184	**624**	621	**20**	–	**–**	–	**6,236**	7,805
Intangible asset	**39**	86	**7**	14	**619**	–	**–**	–	**665**	100
Segment assets	**7,878**	7,953	**2,919**	7,041	**908**	–	**(4,725)**	(2,420)	**6,980**	12,574
Unallocated assets*									**2,880**	1,731
Total assets									**16,761**	22,210
Liabilities:										
Segment liabilities	**11,174**	5,015	**2,614**	3,296	**1,495**	–	**(9,766)**	(2,411)	**5,517**	5,900
Unallocated liabilities*									**3,009**	4,047
Total liabilities									**8,526**	9,947
Other segment information:										
Additions to non-current assets**	**797**	6,801	**173**	640	**655**	–	**–**	–	**1,625**	7,441

* 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.

Geographical information

	Revenue		Non-current assets	
	2018	2017	2018	2017
	S$'000	S$'000	S$'000	S$'000
Geographical information				
Singapore	**17,163**	13,964	**8,983**	10,663
Mainland China	**395**	—	**702**	—
	17,558	13,964	**9,685**	10,663

The revenue information is based on the locations of the customers and the non-current asset information is based on the locations of the assets and excludes financial instruments and deferred tax assets.

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:

	2018 S$'000	2017 S$'000
Revenue		
Revenue from contracts with customers	**17,558**	—
Maintenance and repair services	—	11,705
Modification, tuning and grooming services and trading of spare parts and accessories	—	2,259
	17,558	13,964
Other income and gains		
Government grants*	**72**	71
Rental income	**149**	116
Commission income from sale of passenger cars	**52**	796
Administrative income	**34**	—
Fair value gain on financial asset at fair value through profit or loss	**16**	—
Reversal of provision for warranty	**26**	—
Others	**34**	71
	383	1,054

* 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.

REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregated revenue information

For the year ended 31 December 2018

	Maintenance and repair services $'000	Modification, tuning and grooming services and trading of spare parts and accessories $'000	Others $'000	Total $'000
Type of goods or services				
Sale of goods	—	3,346	—	3,346
Rendering of services	13,149	218	—	13,367
Provision of sales integrated service platform	—	—	395	395
Sale of extended warranty	450	—	—	450
Total revenue from contracts with customers	13,599	3,564	395	17,558
Geographical markets				
Singapore	13,599	3,564	—	17,163
Mainland China	—	—	395	395
Total revenue from contracts with customers	13,599	3,564	395	17,558
Timing of revenue recognition				
Goods transferred at a point in time	13,149	3,564	—	16,713
Services transferred over time	450	—	395	845
Total revenue from contracts with customers	13,599	3,564	395	17,558

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Maintenance and repair services and modification, tuning and grooming services

The performance obligation is satisfied at a point in time as services are rendered and payment is generally due upon completion of services and customer acceptance.

Provision of sales integrated service platform

The performance obligation is satisfied over time as services are rendered and upfront payment is required.

6. LOSS BEFORE TAX

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

	Notes	2018 S$'000	2017 S$'000
Depreciation of property, plant and equipment	14	**1,827**	845
Amortisation of intangible asset	15	**69**	49
Auditor's remuneration		**217**	218
Minimum lease payments under operating leases		**1,367**	1,043
Staff costs (excluding directors' and chief executive's remuneration (Note 8))	9	**4,993**	4,374
(Reversal of allowance)/allowance for trade receivables	18	**(9)**	74
Write off of trade receivables		**81**	—
Foreign exchange losses		**46**	134
Allowance for inventory obsolescence, net	17	**11**	147
Loss on disposal of property, plant and equipment		**113**	49
Impairment loss on deposit		**210**	—

7. FINANCE COSTS

	2018 S$'000	2017 S$'000
Interest expenses		
— Finance leases	**52**	11
— Term loans	**61**	102
Bank charges	**22**	19
	135	132

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Kelvin LIM was appointed as an executive director of the Company on 17 March 2016 and resigned on 30 November 2018.

Mr. WANG Jingan and Mr. SO Zelong were appointed as executive directors on 7 April 2017 and 3 July 2017 respectively. Both of them were retired on 12 June 2018.

Mr. CHUA Boon Hou (Cai Wenhao) was appointed as executive director of the Company on 13 April 2016.

Mr. LIM Kong Joo was appointed as executive director of the Company on 13 April 2016 and resigned on 23 April 2018.

Mr. CHEN Feng was appointed as executive director of the Company on 27 June 2018 and resigned on 15 February 2019.

Mr. YAN Jianqiang and Mr. YUAN Guoshun were appointed as executive directors of the Company on 12 October 2018 and 7 November 2018 respectively.

Mr. DU Xianjie was appointed as non-executive director on 13 April 2016 and resigned on 4 July 2018. Mr. WU Tangqing was appointed as non-executive director on 23 April 2018.

Mr. LIU Ji, Ms. POK Mee Yau and Mr. LEUNG Yiu Cho were appointed as independent non-executive directors of the Company on 21 October 2016. Both Mr. LIU Ji and Ms. POK Mee Yau resigned on 12 October 2018.

Mr. ZHANG Guangdong and Mr. DENG Bin were appointed as independent non-executive directors of the Company on 27 June 2018 and 12 October 2018 respectively.

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:

	2018 S$'000	2017 S$'000
Fees	**341**	100
Salaries, allowances and benefits in kind	**364**	560
Discretionary performance-related bonuses	**8**	8
Pension scheme contributions	**35**	51
	748	719

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 2018	Fees S$'000	Salaries, allowances and benefits in kind S$'000	Discretionary performance-related bonuses S$'000	Pension scheme contributions S$'000	Total remuneration S$'000
(a) Executive directors:					
Mr. Kelvin LIM (Resigned on 30 November 2018)	24	193	—	15	232
Mr. WANG Jingan (Retired on 12 June 2018)	66	—	—	—	66
Mr. CHUA Boon Hou (Cai Wenhao)	—	134	—	14	148
Mr. LIM Kong Joo (Resigned on 23 April 2018)	—	37	8	6	51
Mr. SO Zelong (Retired on 12 June 2018)	45	—	—	—	45
Mr. CHEN Feng (Appointed on 27 June 2018 and resigned on 15 February 2019)	31	—	—	—	31
Mr. YAN Jianqiang (Appointed on 12 October 2018)	11	—	—	—	11
Mr. YUAN Guoshun (Appointed on 7 November 2018)	8	—	—	—	8
	185	364	8	35	592
(b) Non-executive director:					
Mr. DU Xianjie (Resigned on 4 July 2018)	10	—	—	—	10
Mr. WU Tangqing (Appointed on 23 April 2018)	48	—	—	—	48
(c) Independent non-executive directors:					
Mr. LIU Ji (Resigned on 12 October 2018)	29	—	—	—	29
Ms. POK Mee Yau (Resigned on 12 October 2018)	24	—	—	—	24
Mr. LEUNG Yiu Cho	25	—	—	—	25
Mr. ZHANG Guangdong (Appointed on 27 June 2018)	10	—	—	—	10
Mr. DENG Bin (Appointed on 12 October 2018)	10	—	—	—	10
	98	—	—	—	98
	341	364	8	35	748

Year ended 31 December 2017		Fees S$'000	Salaries, allowances and benefits in kind S$'000	Discretionary performance-related bonuses S$'000	Pension scheme contributions S$'000	Total remuneration S$'000
(a)	**Executive directors:**					
	Mr. Kelvin LIM	—	192	—	14	206
	Mr. WANG Jingan	—	98	—	—	98
	Mr. CHUA Boon Hou (Cai Wenhao)	—	119	—	17	136
	Mr. LIM Kong Joo	—	109	8	20	137
	Mr. SO Zelong	—	42	—	—	42
		—	560	8	51	619
(b)	**Non-executive director:**					
	Mr. DU Xianjie	20	—	—	—	20
(c)	**Independent non-executive directors:**					
	Mr. LIU Ji	30	—	—	—	30
	Ms. POK Mee Yau	25	—	—	—	25
	Mr. LEUNG Yiu Cho	25	—	—	—	25
		80	—	—	—	80
		100	560	8	51	719

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2017: Nil).

9. EMPLOYEE BENEFITS EXPENSE

	2018 S$'000	2017 S$'000
Directors' emoluments (Note 8):		
— Fees	**341**	100
— Salaries, allowances and benefits in kind	**364**	560
— Discretionary performance-related bonuses	**8**	8
— Pension scheme contributions	**35**	51
	748	719
Staff costs (excluding directors' remuneration):		
— Pension scheme contributions	**343**	290
— Foreign worker levy	**273**	216
— Salaries and bonuses	**4,107**	3,627
— Staff welfare and others	**270**	241
	4,993	4,374
	5,741	5,093

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 (2017: two) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2018 S$'000	2017 S$'000
Salaries, allowances and benefits in kind	**264**	264
Discretionary performance-related bonuses	**19**	19
Pension scheme contributions	**20**	19
	303	302

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	
	2018	2017
Nil to HK$1,000,000 (equivalent to S$174,000 (2017: S$171,000))	**2**	1

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

The Group is subject to income tax on an entity based 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.

Subsidiaries in People's Republic of China are subject to taxation at a rate of 25% on the estimated profits arising in China during the year.

	2018 S$'000	2017 S$'000
Current income tax		
— Current year	**15**	—
— Underprovision in respect of prior years	**—**	4
	15	4
Deferred tax		
— Current year	**10**	(50)
— Overprovision in respect of prior years	**(11)**	—
	(1)	(50)
Tax expense/(credit) for the year	**14**	(46)
Deferred tax charge related to other comprehensive income:		
— Changes in fair value of an available-for-sale investment	**—**	(5)

A reconciliation of the tax expense/(credit) applicable to loss 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:

	2018 S$'000	2018 %	2017 S$'000	2017 %
Loss before tax	**(3,776)**	**—**	(2,087)	
Tax at the statutory tax rate	**(637)**	**16.87**	(355)	17.00
Income not subject to tax	**(4)**	**0.11**	—	—
Expenses not deductible for tax	**479**	**(12.69)**	241	(11.55)
Tax losses not recognised	**194**	**(5.14)**	108	(5.18)
Effect of partial tax exemption and tax relief	**(4)**	**0.11**	—	—
Effect of Productivity and Innovation Credit incentive	**—**	**—**	(41)	1.97
Underprovision of income tax in prior years	**—**	**—**	4	(0.19)
Overprovision of deferred tax in prior years	**(11)**	**0.29**	—	—
Others	**(3)**	**0.08**	(3)	0.14
Tax charged/(credited) at the Group's effective tax rate	**14**	**(0.37)**	(46)	2.16

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

There were no dividends paid or payable for the year ended 31 December 2018 (2017: S$Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

As at 31 December 2018, the Company had 500,000,000 ordinary shares in issue. The Company was listed on the 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 per share is based on the following data:

	2018 S$'000	2017 S$'000
Loss		
Loss for the year attributable to the equity holders of the parent	**(3,790)**	(2,041)

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**500,000**	500,000

Basic loss per share for the year ended 31 December 2018 is S$0.76 cents (2017: S$0.41 cents).

No adjustment has been made to the basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

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 2018								
At 1 January 2018:								
Cost	2,583	49	2,783	950	420	4,506	1,766	13,057
Accumulated depreciation	(260)	(12)	(467)	(273)	(211)	(1,144)	(560)	(2,927)
Net carrying amount	2,323	37	2,316	677	209	3,362	1,206	10,130
At 1 January 2018, net of accumulated depreciation	2,323	37	2,316	677	209	3,362	1,206	10,130
Additions	—	27	410	30	16	500	8	991
Disposal	—	—	(782)	(2)	(1)	—	—	(785)
Depreciation provided during the year (Note 6)	(52)	(12)	(389)	(151)	(49)	(895)	(279)	(1,827)
At 31 December 2018, net of accumulated depreciation	2,271	52	1,555	554	175	2,967	935	8,509
At 31 December 2018:								
Cost	2,583	76	2,411	978	435	5,006	1,774	13,263
Accumulated depreciation	(312)	(24)	(856)	(424)	(260)	(2,039)	(839)	(4,754)
Net carrying amount	2,271	52	1,555	554	175	2,967	935	8,509
31 December 2017								
At 1 January 2017:								
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
At 1 January 2017, net of accumulated depreciation	2,375	2	348	45	54	696	260	3,780
Additions	—	41	2,218	691	181	3,101	1,083	7,315
Disposal	—	—	(120)	—	—	—	—	(120)
Depreciation provided during the year (Note 6)	(52)	(6)	(130)	(59)	(26)	(435)	(137)	(845)
At 31 December 2017, net of accumulated depreciation	2,323	37	2,316	677	209	3,362	1,206	10,130
At 31 December 2017:								
Cost	2,583	49	2,783	950	420	4,506	1,766	13,057
Accumulated depreciation	(260)	(12)	(467)	(273)	(211)	(1,144)	(560)	(2,927)
Net carrying amount	2,323	37	2,316	677	209	3,362	1,206	10,130

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 2018 was S$2,271,000 (2017: S$2,323,000) and the property was mortgaged as security for the facilities as set out in Note 22 to the financial statements.

ASSETS HELD UNDER FINANCE LEASES

During the financial year, the Group acquired motor vehicles with an aggregate cost of S$116,000 (2017: S$468,000) by means of finance leases. The cash outflow on acquisition of motor vehicles amounted to S$799,000.

The carrying amount of motor vehicles held under finance leases at the end of the reporting period was S$1,194,000.

15. INTANGIBLE ASSET

	Software S$'000
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	**100**
Additions	**634**
Amortisation provided during the year (Note 6)	**(69)**
At 31 December 2018, net of accumulated amortisation	**665**
At 31 December 2018:	
Cost	**878**
Accumulated amortisation	**(213)**
Net carrying amount	**665**
31 December 2017	
Cost at 1 January 2017 net of accumulated amortisation	23
Additions	126
Amortisation provided during the year (Note 6)	(49)
At 31 December 2017, net of accumulated amortisation	100
At 31 December 2017:	
Cost	244
Accumulated amortisation	(144)
Net carrying amount	100

As at 31 December 2018, the software of the Group has a remaining useful life of not more than 10 years (2017: not more than 3 years).

16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS/ AVAILABLE-FOR-SALE INVESTMENT

	2018 S$'000	2017 S$'000
Financial asset at fair value through profit or loss		
Life insurance policy, at fair value	**449**	—
Available-for-sale investment		
Life insurance policy, at fair value	**—**	433

The Group has entered into a life insurance policy with an insurance company to insure the director of a subsidiary. 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. An increase/decrease of 5% in the surrender value of the policy would result in an increase/decrease of S$19,000 in profit after tax (2017: $18,000 in other comprehensive income).

The changes in fair value of the Group's available-for-sale investment, net of tax, recognised in other comprehensive income amounted to S$25,000 for the year ended 31 December 2017.

The above unlisted investment at 31 December 2018 was classified as financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

17. INVENTORIES

	2018 S$'000	2017 S$'000
Spare parts and accessories	**895**	1,214

Inventories are stated net of allowance for inventory obsolescence of S$316,000 as at 31 December 2018 (2017: S$306,000). During the year ended 31 December 2018, allowance for inventory obsolescence amounting to S$11,000 (2017: S$147,000) was recognised.

18. TRADE AND OTHER RECEIVABLES

	2018 S$'000	2017 S$'000
Trade receivables	**2,114**	4,561
Allowance for trade receivables	**(315)**	(96)
Trade receivables, net	**1,799**	4,465
Other receivables	**145**	284
Deposits*	**1,215**	3,248
	3,159	7,997

* 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 aging 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:

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 S$'000	2017 S$'000
At beginning of year	**96**	22
Effect of adoption of IFRS 9	**237**	—
At beginning of year (restated)	**333**	22
Impairment losses, net (note 6)	**—**	74
Reversal of impairment losses recognised (note 6)	**(9)**	—
Write-off of trade receivables	**(9)**	—
At end of year	**315**	96

IMPAIRMENT UNDER IFRS 9 FOR THE YEAR ENDED 31 DECEMBER 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Current	Past due Less than 1 month	Past due 1 to 3 months	Past due Over 3 months	Total
Gross carrying amount (S$'000)	**1,181**	**239**	**61**	**663**	**2,114**
Expected credit losses (S$'000)	**–**	**–**	**–**	**(315)**	**(315)**
	1,181	**239**	**61**	**318**	**1,799**

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 S$'000
Neither past due nor impaired	1,159
Past due but not impaired:	
Less than 30 days	353
30–60 days	374
61–90 days	185
91–120 days	61
More than 120 days	2,333
	3,306
	4,465

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

	2018 S$'000	2017 S$'000
Cash and bank balances	**1,718**	1,133

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:

	2018 Local currency '000	S$'000	2017 Local currency '000	S$'000
Hong Kong dollar	**2,673**	**465**	2,848	487
Renminbi	**2,851**	**566**	—	—

20. TRADE AND OTHER PAYABLES

	2018 S$'000	2017 S$'000
Trade payables	**1,036**	2,539
Other payables	**1,725**	632
Deposits received from customers	**—**	130
Accrued expenses	**799**	855
Amount due to a related company	**22**	—
Loan from director	**—**	839
	3,582	4,995

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

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

	2018 S$'000	2017 S$'000
Less than 30 days	**759**	870
30–60 days	**220**	699
61–90 days	**18**	550
91–120 days	**2**	235
More than 120 days	**37**	185
	1,036	2,539

21. PROVISIONS

	Reinstatement costs S$'000	Warranty S$'000	Total S$'000
At 1 January 2018	565	50	615
Reversed during the year	—	(26)	(26)
At 31 December 2018	565	24	589
Represented by:			
— payable within one year	—	24	24
— payable within second to third year	565	—	565
At 31 December 2018	565	24	589

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018		2017	
	Maturity	S$'000	Maturity	S$'000
Current				
Term loans:				
— US$ loan at bank's cost of funds ("COF") + 3.5% per annum (Note a)	**—**	**—**	2018	265
— S$ loan from a related company at 6% per annum (Note d)	**2019**	**184**	—	—
— S$ loan at bank's 6-month cost of funds ("COF") + 1.5% per annum (Note a)	**—**	**—**	2018	105
— S$ loan at 5% per annum on daily rest	**2019**	**344**	2018	536
— S$ loan at 4% per annum on daily rest (Note c)	**2019**	**166**	2018	159
— S$ loan at bank's 3-month cost of funds ("COF") + 2.88% per annum (Note a, Note b)	**—**	**—**	2019-2031	1,561
Finance lease payables (Note 25)	**2019**	**247**	2018	68
		941		2,694
Non-current				
Term loans:				
— S$ loan from a related company at 6% per annum (Note d)	**2023**	**665**	—	—
— S$ loan at 5% per annum on daily rest	**—**	**—**	2019	344
— S$ loan at 4% per annum on daily rest (Note c)	**2019-2020**	**158**	2019-2020	324
Finance lease payables (Note 25)	**2020-2023**	**767**	2019-2022	258
		1,590		926
Total		**2,531**		3,620

	2018 S$'000	2017 S$'000
Analysed into:		
Within one year	**941**	2,694
In the second year	**583**	581
In the third to fifth years	**1,007**	345
	2,531	3,620

Notes:

(a) S$ and US$ term loans

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$2,323,000 as at 31 December 2017 (Note 14). These Group's term loans have been fully repaid during the year.

The short term loan facility is up to US$300,000. 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.

(b) The Group loans are subject to financial covenants and the Group did not satisfy one of the financial covenants for its term loan as at 31 December 2017. Accordingly, the loan amount of $1,561,000 has been reclassified and presented as a current liability as at 31 December 2017. These Group loans have been fully repaid during the year.

(c) These loans are incurred with a charge over certain machinery.

(d) This loan is fully repayable on 1 November 2023 to a related company.

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

	2018 S$'000	2017 S$'000
United States dollar	—	265

A reconciliation of liabilities arising from financial activities is as follows:

	1 January 2018 S$'000	Changes from financing cash flows S$'000	Non-cash changes New finance leases S$'000	31 December 2018 S$'000
Bank loans	3,294	(2,626)	—	**668**
Finance leases	326	(799)	1,487	**1,014**
Loan from related company	—	849	—	**849**
Total	3,620	(2,576)	1,487	**2,531**

23. CONTRACT LIABILITIES

Contract liabilities primarily relate to the Group's obligation to transfer services to customers for which the Group has received advances from the customers.

Significant changes in contract liabilities are as follows:

	2018 S$'000
At beginning of the year	**777**
Revenue recognised during the year	**(223)**
Addition	**1,195**
At the end of the year	**1,749**

Analysed into:

Within one year	**1,102**
Within two to five years	**647**
	1,749

24. DEFERRED TAX LIABILITIES

	Statement of financial position		Other comprehensive income		Profit or loss	
	2018 S$'000	2017 S$'000	2018 S$'000	2017 S$'000	2018 S$'000	2017 S$'000
Deferred tax liabilities:						
Differences in depreciation for tax purpose	**(72)**	(94)	**—**	—	**22**	16
Deferred tax assets:						
Provisions	**13**	34	**—**	—	**(21)**	34
Revaluations of fair value on an available-for-sale investment	**—**	11	**—**	5	**(11)**	—
Revaluations of fair value on financial asset at fair value through profit or loss	**11**	—	**—**	—	**11**	—
	(48)	(49)	**—**	5	**1**	50

The Group had unutilised tax losses of approximately S$802,000 (2017: S$24,000) that are available for offset against future taxable profits of the companies in which the losses arise, for which no deferred tax assets is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of tax legislation of Singapore. The tax losses have no expiry date.

25. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles. These leases are classified as finance leases and have remaining lease terms of five years.

As at 31 December 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2018 S$'000	Minimum lease payments 2017 S$'000	Present value of minimum lease payments 2018 S$'000	Present value of minimum lease payments 2017 S$'000
Amounts payable:				
Within one year	**281**	83	**247**	68
In the second to fifth years, inclusive	**808**	283	**767**	258
Total minimum finance lease payments	**1,089**	366	**1,014**	326
Future finance charges	**(75)**	(40)		
Total net finance leases payable	**1,014**	326		
Portion classified as current liabilities (Note 22)	**247**	68		
Non-current portion (Note 22)	**767**	258		

26. 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.

	2018 S$'000	2017 S$'000
Issued and fully paid:		
500,000,000 (2017: 500,000,000) ordinary shares	**900**	900

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.

27. 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 as at 31 December 2017 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.

28. OPERATING 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 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 S$'000	2017 S$'000
Within one year	**1,144**	1,050
In the second to fifth years, inclusive	**652**	1,233
	1,796	2,283

29. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Maximum outstanding with a director during the reporting period and as at the year end:

	2018 S$'000	2017 S$'000
Due to Kelvin LIM	**—**	839

Mr. Kelvin LIM has resigned as executive director of the Company on 30 November 2018.

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

	2018 S$'000	2017 S$'000
Salaries, allowances and benefits in kind	**364**	560
Discretionary performance-related bonuses	**8**	8
Pension scheme contributions	**35**	51
	407	619

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

(c) Loan and amount due to related company of the Group:

	2018 S$'000	2017 S$'000
Amount due to related company*	**14**	—
Interest payable to related company*	**8**	—
Loan from related company*	**849**	—
	871	—

* Related company refers to a company owned by the spouse of Mr. Kelvin Lim. Mr. Kelvin Lim has resigned as executive director of the Company on 30 November 2018.

30. 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 2018

Financial assets

	Financial assets or amortised cost S$'000	Financial asset at fair value through profit or loss S$'000	Total S$'000
Financial asset at fair value through profit or loss	—	449	449
Trade and other receivables	1,944	—	1,944
Cash and cash equivalents	1,718	—	1,718
	3,662	449	4,111

Financial liabilities

	Financial liabilities at amortised cost S$'000
Financial liabilities included in trade and other payables	3,399
Interest-bearing bank and other borrowings	2,531
	5,930

AS AT 31 DECEMBER 2017

Financial assets

	Loans and receivables S$'000	Available-for sale financial assets S$'000	Total S$'000
Available-for-sale investment	—	433	433
Trade and other receivables	4,749	—	4,749
Cash and cash equivalents	1,133	—	1,133
	5,882	433	6,315

Financial liabilities

	Financial liabilities at amortised cost S$'000
Financial liabilities included in trade and other payables	4,806
Interest-bearing bank and other borrowings	3,620
	8,426

31. 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	
	2018 S$'000	2017 S$'000
Financial assets		
Financial asset at fair value through profit or loss	**449**	—
Available-for-sale investment	**—**	433
Trade and other receivables	**1,944**	4,749
Cash and cash equivalents	**1,718**	1,133
	4,111	6,315

	Fair values 2018 S$'000	Fair values 2017 S$'000
Financial assets		
Financial asset at fair value through profit or loss	**449**	—
Available-for-sale investment	**—**	433
Trade and other receivables	**1,944**	4,749
Cash and cash equivalents	**1,718**	1,133
	4,111	6,315

	Carrying amounts 2018 S$'000	Carrying amounts 2017 S$'000
Financial liabilities		
Financial liabilities included in trade and other payables	**3,399**	4,806
Interest-bearing bank and other borrowings	**2,531**	3,620
	5,930	8,426

	Fair values 2018 S$'000	Fair values 2017 S$'000
Financial liabilities		
Financial liabilities included in trade and other payables	**3,399**	4,806
Interest-bearing bank and other borrowings	**2,531**	3,620
	5,930	8,426

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 Note 22 to the financial statements.

The fair value of the financial asset at fair value through profit or loss and available-for-sale investment has been estimated based on the surrender value of the policy as disclosed in Note 16 to the financial statements.

32. 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.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	S$'000	S$'000	S$'000	S$'000	S$'000
Trade receivables*	—	—	—	1,799	1,799
Financial assets included in other receivables					
– Normal**	145	—	—	—	145
– Doubtful**	—	—	—	—	—
	145	—	—	1,799	1,944

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.

** The credit quality of the financial assets included in other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017

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 ("HK$"), United States dollar ("US$"), Euro ("EUR") and Renminbi ("RMB").

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 HK$, US$, EUR and RMB against the Singapore dollar, with all other variables held constant, of the Group's loss before tax:

	2018 S$'000	2017 S$'000
US$ against S$		
— strengthened 6% (2017: 6%)	—	17
— weakened 6% (2017: 6%)	—	(17)
HK$ against S$		
— strengthened 6% (2017: 6%)	**25**	29
— weakened 6% (2017: 6%)	**(25)**	(29)
EUR against S$		
— strengthened 6% (2017: 6%)	—	7
— weakened 6% (2017: 6%)	—	(7)
RMB against S$		
— strengthened 6% (2017: 6%)	**1**	1
— weakened 6% (2017: 6%)	**(1)**	(1)

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 2018 and 2017, the Group had interest-bearing bank and other borrowings of S$2,531,000 and S$3,620,000. If SGD interest rates had been 300 basis points higher/lower with all other variables held constant, the Group's loss before tax would have been S$nil and S$58,000 higher/lower for the years ended 31 December 2018 and 2017, 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 2018	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	**3,399**	**—**	**—**	**3,399**
Interest-bearing bank and other borrowings	**1,040**	**645**	**1,070**	**2,755**
	4,439	**645**	**1,070**	**6,154**

As at 31 December 2017	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	4,806	—	—	4,806
Interest-bearing bank and other borrowings	1,263	1,670	1,251	4,184
	6,069	1,670	1,251	8,990

CAPITAL MANAGEMENT

The primary objectives 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 shareholders or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

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:

	2018 S$'000	2017 S$'000
Interest-bearing bank and other borrowings	**2,531**	3,620
Equity attributable to owners of the Company	**8,235**	12,263
Gearing ratio	**0.3**	0.3

33. 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:

	2018 S$'000	2017 S$'000
NON-CURRENT ASSETS		
Investment in subsidiaries	**2,069**	2,069
Total non-current assets	**2,069**	2,069
CURRENT ASSETS		
Amounts due from subsidiaries	**2,519**	3,859
Cash and cash equivalents	**—**	3
Total current assets	**2,519**	3,862
CURRENT LIABILITIES		
Other payables	**380**	312
Total current liabilities	**380**	312
NET CURRENT ASSETS	**2,139**	3,550
Net assets	**4,208**	5,619
EQUITY		
Share capital	**900**	900
Reserves	**3,308**	4,719
Total equity	**4,208**	5,619

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

	Share premium S$'000	Accumulated losses S$'000	Total S$'000
At 1 January 2018	**8,982**	**(4,263)**	**4,719**
Total comprehensive loss for the year	**—**	**(1,411)**	**(1,411)**
At 31 December 2018	**8,982**	**(5,674)**	**3,308**

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2019.

FINANCIAL SUMMARY

Results	2018 S$'000	2017 S$'000	2016 S$'000	2015 S$'000	2014 S$'000
Revenue	**17,558**	13,964	16,791	15,814	15,491
(Loss)/profit before tax	**(3,776)**	(2,087)	(270)	2,054	2,612
Income tax (expense)/credit	**(14)**	46	(301)	(338)	(413)
(Loss)/profit for the year	**(3,790)**	(2,041)	(571)	1,716	2,199

Assets and liabilities	2018 S$'000	2017 S$'000	2016 S$'000	2015 S$'000	2014 S$'000
Total assets	**16,761**	22,210	19,412	12,219	12,881
Total liabilities	**8,526**	9,947	5,083	5,131	6,535
Total equity	**8,235**	12,263	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. The summary above does not form part of the audited financial statements.