冠轈控股有限公司

GUAN CHAO HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1872

2019

ANNUAL REPORT

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Tan Shuay Tarng Vincent
(Chairman and Chief Executive Officer)
Ms. Ng Hui Bin Audrey
Mr. Khung Poh Sun

NON-EXECUTIVE DIRECTOR

Mr. Raymond Wong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Wing Tung
(appointed on 1 February 2019)
Mr. Hui Yan Kit
(appointed on 1 February 2019)
Mr. Tam Yat Kin Ken
(appointed on 1 February 2019)

AUDIT COMMITTEE

Mr. Chow Wing Tung *(Chairman)*
(appointed on 1 February 2019)
Mr. Hui Yan Kit
(appointed on 1 February 2019)
Mr. Tam Yat Kin Ken
(appointed on 1 February 2019)

REMUNERATION COMMITTEE

Mr. Hui Yan Kit *(Chairman)*
(appointed on 1 February 2019)
Mr. Chow Wing Tung
(appointed on 1 February 2019)
Mr. Tam Yat Kin Ken
(appointed on 1 February 2019)

NOMINATION COMMITTEE

Mr. Tam Yat Kin Ken *(Chairman)*
(appointed on 1 February 2019)
Mr. Chow Wing Tung
(appointed on 1 February 2019)
Mr. Hui Yan Kit
(appointed on 1 February 2019)

COMPLIANCE OFFICER

Mr. Tan Shuay Tarng Vincent

COMPANY SECRETARY

Mr. Lui Wai Sing

AUTHORISED REPRESENTATIVES

Mr. Tan Shuay Tarng Vincent
Mr. Lui Wai Sing

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISER

Titan Financial Services Limited
Suites 3201-02, 32/F
COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

1 Chang Charn Road
#05-02, OC Building
Singapore 159630

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 5705, 57/F, The Center
99 Queen's Road Central
Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Maybank Singapore Limited
200 Jalan Sultan #05-03
Textile Centre
Singapore 199018

COMPANY'S WEBSITE

www.guanchaoholdingsltd.com

STOCK CODE

1872

Chairman's Statement

Dear shareholders,

On behalf of the board of Directors (the "Board") of Guan Chao Holdings Limited (the "Company", together with its subsidiaries, the "Group"), it is my pleasure to present the first annual report of the Group for the financial year ended 31 December 2019 ("FY2019").

PERFORMANCE REVIEW

The Group's revenue increased by approximately S$2.0 million from approximately S$185.0 million for the year ended 31 December 2018 ("FY2018") to approximately S$187.0 million for FY2019. The increase in revenue was primarily attributable to the increase in sales of motor vehicles amounted to approximately S$1.3 million and increase in rental income from operating lease of motor vehicles amounted to approximately S$0.6 million. The Group's gross profit decreased by approximately S$1.1 million from approximately S$22.0 million for FY2018 to approximately S$20.9 million for FY2019, which was mainly attributable to the decrease in the gross profit of sales of motor vehicles business. The overall gross profit margin decreased from approximately 11.9% for FY2018 to approximately 11.2% for FY2019 which was mainly due to the decrease in gross profit margin in the sales of motor vehicles business and leasing of motor vehicles business.

The Group recorded a profit and total comprehensive income of approximately S$3.0 million for FY2019 as compared to a profit and total comprehensive income of approximately S$7.4 million for FY2018. Such decrease was primarily due to the (i) increase in the Group's general and administrative expenses (excluding listing expenses) of approximately S$1.5 million; (ii) increase in the Group's selling and distribution costs of approximately S$1.1 million; and (iii) decrease in gross profit by approximately S$1.1 million.

OUTLOOK

Singapore's economy has been tipped to enter recession in the third quarter of FY2019 as a result of the US-China trade war (the "Trade War") continues to affect the Southeast Asian countries. Given the unexpected consequences of the Trade War and the uncertainty of the upcoming development, this generally affects the confidence and ability of the consumers to buy luxury goods, such as motor vehicles in Singapore to a certain extent.

In addition, the widespread outbreak of coronavirus disease (COVID-19) has occurred globally since the beginning of 2020, including Singapore and Hong Kong. The consequence and impact of this outbreak is still manifesting not only in the loss of human lives but in the potential disruption to economic and social activities in Singapore.

Despite the challenges facing by the motor vehicle dealers in Singapore given the economic downturn as well as the expected downward trend in the motor vehicle sales industry driven by the expected tightening trend of Certificate of Entitlement ("COE") quota, the Group will use its best endeavour to adopt appropriate business strategies leveraging its market position as the leading parallel-import dealer in Singapore and the Group is currently exploring business opportunities on the sales of motor vehicles and other industries in other Southeast Asian countries as one of the measures to mitigate the expected downward industry trend.

Chairman's Statement

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders, customers, suppliers, employees and other business partners of the Group for their continuous support. I would also like to take this opportunity to thank all of the management team and staff for their commitment and dedication to helping the Group and their efforts, diligence and contribution during the year.

On behalf of the Board

Mr. Tan Shuay Tarng Vincent
Chairman and Executive Director

Hong Kong, 30 March 2020

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in selling new parallel-import motor vehicles and pre-owned motor vehicles, with the main business being the sales of brand new parallel-import motor vehicles in Singapore. Apart from the sales of motor vehicles, the Group also provides related services and products, such as (i) provision of motor vehicle financing services; (ii) provision of motor vehicle insurance agency services; and (iii) sales of motor vehicle spare parts and accessories.

The shares of the Company were successfully listed on the Main Board of The Stock Exchange (the “Listing”) by the Share Offer on 28 February 2019.

With the further tightening of COE quota for new motor vehicles in Singapore in 2019, during FY2019, the Group sold 1,628 and 606 units of new motor vehicles and pre-owned motor vehicles, respectively, representing a decrease of approximately 2.2% and increase of approximately 4.3%, respectively as compared with 1,664 and 581 units of new motor vehicles and pre-owned motor vehicles sold, respectively, in the corresponding period of 2018.

FINANCIAL REVIEW

Revenue

The Group’s revenue increased by approximately S$2.0 million or 1.1% from approximately S$185.0 million for the year ended 31 December 2018 (“FY2018”) to approximately S$187.0 million for the year ended 31 December 2019 (“FY2019”), which was mainly attributable to the increase in sales of motor vehicles amounted to approximately S$1.3 million or 0.7% and increase in rental income from operating lease of motor vehicles amounted to approximately S$0.6 million or 25.0%.

Sales of motor vehicles

The sales of motor vehicles increased by approximately S$1.3 million or 0.7% which was mainly attributable to the increase in sales of new motor vehicles by approximately S$3.3 million or 2.3%. The increase in sales of new motor vehicles was mainly due to the increase in average selling price of new motor vehicles sold for FY2019 as compared with FY2018, from approximately S$89,000 for FY2018 to approximately S$93,000 for FY2019 despite the units of motor vehicles sold decreased by 36 units from 1,664 units for FY2018 to 1,628 units for FY2019.

The sales of pre-owned motor vehicles decreased by approximately S$2.0 million or 7.3%, which was mainly due to the decrease in average selling price from approximately S$48,000 for FY2018 to approximately S$42,000 for FY2019.

Motor vehicle financing services

The Group’s revenue from motor vehicle financing services increased by approximately S$0.1 million or 1.7% from approximately S$5.9 million for FY2018 to approximately S$6.0 million for FY2019. There is no material fluctuation of revenue derived from in motor vehicle financing services business.

Insurance agency services

The Group's commission income from insurance companies for referral of the customers varied depending on the insurance premium under the insurance policies. The Group's commission income from insurance companies remained stable for FY2018 and FY2019 which amounted to approximately S$0.4 million and S$0.4 million, respectively.

Leasing of motor vehicles

The income from leasing of motor vehicles increased by approximately S$0.6 million or 25.0% from approximately S$2.4 million for FY2018 to approximately S$3.0 million for FY2019. The increment was mainly attributable to more units of motor vehicles being rented out during FY2019 as compared to FY2018 as there were increasing numbers of customers who leased the vehicles to provide chauffeured services. The Group's number of motor vehicles being rented to customers was 108 units and 114 units as at 31 December 2018 and 2019, respectively.

Sales of spare parts and accessories

The income from sales of spare part and accessories decreased by approximately S$89,000 or 73.0% from approximately S$122,000 for FY2018 to approximately S$33,000 for FY2019. Due to the sales amount of spare parts and accessories for FY2018 and FY2019 were insignificant, no further analysis on the fluctuation for FY2019.

Cost of sales

The Group's cost of sales increased by approximately S$3.0 million or 1.8% from approximately S$163.0 million for FY2018 to approximately S$166.0 million for FY2019. The increase was mainly due to the increase in cost of motor vehicles (and related costs) sold in FY2019.

For FY2019, the cost of motor vehicles (and related costs) sold increased by approximately S$2.1 million or 1.3% from approximately S$161.6 million for FY2018 to approximately S$163.7 million for FY2019.

Gross profit and gross profit margin

As a result of the foregoing, the Group's total gross profit decreased by approximately S$1.1 million or 5.0% from approximately S$22.0 million for FY2018 to approximately S$20.9 million for FY2019, which was mainly attributable to the decrease in the gross profit of sales of motor vehicles business. The overall gross profit margin decreased from approximately 11.9% for FY2018 to approximately 11.2% for FY2019 which was mainly due to the decrease in gross profit margin in the sales of motor vehicles business and leasing business.

Sales of motor vehicles

The Group's gross profit from sales of motor vehicles decreased by approximately S$0.9 million, or 6.2% from approximately S$14.6 million for FY2018 to approximately S$13.7 million for FY2019, and the Group's gross profit margin for sales of motor vehicles was approximately 8.3% for FY2018 and approximately 7.7% for FY2019. The decrease in gross profit margin for sales of motor vehicles was mainly contributed to the increase of COE premium due to decrease in COE quota imposed by the Land Transports Authority of Singapore and lead to increase in cost of motor vehicles sold during the year ended 31 December 2019.

Motor vehicle financing services

The net interest spread for FY2018 and FY2019 remained stable at approximately 4.0% and 4.8%, respectively.

Leasing of motor vehicles

The Group's gross profit from leasing of motor vehicles decreased by approximately S$0.3 million or 22.9%, from approximately S$1.1 million for FY2018 to approximately S$0.8 million for FY2019, with the Group's gross profit margin from leasing of motor vehicles decreased from approximately 45.5% for FY2018 to 26.8% for FY2019. Such decrease in gross profit margin was mainly due to the revenue from leasing of motor vehicle had increased by approximately S$0.7 million or 29.2%, while the costs of leasing of motor vehicles increased by approximately S$1.0 million or 76.9% as the depreciation of motor vehicles during the FY2019 increased due to the increase of number of motor vehicles available for leasing.

Sales of spare parts and accessories

The Group's gross profit from sales of spare parts and accessories decreased by approximately S$21,000 or 80.8%, from approximately S$26,000 for FY2018 to approximately S$5,000 for FY2019, while the Group's gross profit margin from sales of spare parts and accessories decreased from approximately 21.3% for FY2018 to 15.2% for FY2019. Due to the gross profit from sales of spare parts and accessories were insignificant for FY2018 and FY2019, no further analysis on the fluctuation of gross profit and gross profit margin for FY2019.

Other income

The Group's other income increased by approximately S$320,000 or 6.9% from approximately S$464,000 for FY2018 to approximately S$496,000 for FY2019. The increase was mainly due to the increase of income from deposit forfeiture by approximately S$136,000 and offset by the decrease of government grants by approximately S$49,000.

Other gains, net

The Group's other gains, net decreased by approximately S$26,000 or 22.8% from approximately S$114,000 for FY2018 to approximately S$88,000 for FY2019 which was mainly due to the combination effect of (i) decreased in foreign exchange gain from approximately S$121,000 for FY2018 to foreign exchange loss of approximately S$182,000 for FY2019; and (ii) the disposal of property, plant and equipment recorded from loss of approximately S$7,000 for FY2018 to gain of approximately S$270,000 for FY2019.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately S$1.1 million or 28.2% from approximately S$3.9 million to approximately S$5.0 million for FY2019. The increase was mainly due to the increase in advertising and marketing expenses and sales commission to external parties for FY2019.

General and administrative expenses

The Group's general and administrative expense (excluding listing expenses) increased by approximately S$1.5 million or 17.6% from approximately S$7.0 million for FY2018 to approximately S$8.5 million for FY2019. The increase was mainly attributable to the increase in depreciation of property, plant and equipment.

Listing expenses

In preparation of the Listing, the Group incurred Listing expenses of approximately S$1.4 million for FY2019, while it was approximately S$1.0 million for FY2018.

Finance income and finance expenses

Finance income represents bank interest income. The Group had minimal finance income for FY2019.

The Group's finance expenses increased by approximately S$0.6 million or 35.3% from approximately S$1.7 million for FY2018 to approximately S$2.3 million for FY2019. The increase in finance expenses was mainly attributable to the increase in interest expenses on lease liabilities.

Income tax expenses

The Group's income tax expenses decreased by approximately S$0.4 million or 25.0% from approximately S$1.6 million for FY2018 to approximately S$1.2 million for FY2019, which was mainly due to the decrease in taxable profit from the Group's operation in Singapore.

Profit and total comprehensive income for the year and net profit margin

As a result of the foregoing, the Group's profit and total comprehensive income for the year decreased by approximately S$4.4 million or 59.5% from approximately S$7.4 million for FY2018 to approximately S$3.0 million for FY2019 and the Group's net profit margin decreased from approximately 4.0% for FY2018 to approximately 1.6% for FY2019. Such decrease in profit for FY2019 was primarily due to the (i) increase in the Group's general and administrative expenses (excluding listing expenses) of approximately S$1.5 million; (ii) increase in the Group's selling and distribution costs of approximately S$1.1 million; and (iii) decrease in gross profit by approximately S$1.1 million as a result of the increase in costs of motor vehicles (and related costs) sold.

CAPITAL STRUCTURE

As at 31 December 2019, the capital structure of the Group consisted of borrowings, net of cash and cash equivalents and equity of the Group, comprising share capital, share premium, capital reserve and retained earnings.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2019, the Group's working capital was financed by internal resources, borrowings and net proceeds from the Share Offer.

The Group's primary uses of cash are for purchases of motor vehicles for sale and leasing purposes and for funding of the Group's operations. The Group has financed its operations mainly by various forms of borrowings, including bank overdrafts, bank loans, floor inventory advances, trust receipts, block discounting, lease liabilities and hire purchase liabilities, etc.

LIQUIDITY RATIOS

As at 31 December 2019, the Group had cash and bank balances of approximately S$9.6 million (2018: approximately S$7.1 million). The Group's current ratio, debt to equity ratio and gearing ratio ratios are as follows:

	As at 31 December 2019	As at 31 December 2018
Current ratio	**1.6**	1.2
Debt to equity ratio	**122.3%**	185.6%
Gearing ratio	**50.1%**	61.1%

Current ratio represents the current assets over current liabilities as at the end of the respective date.

Debt to equity ratio is determined by dividing total debt by total equity as at the end of the respective date. Total debt includes amount due to a shareholder and borrowings.

Gearing ratio equals net debt, which represents total debt net of cash and cash equivalents, over total capital as at the end of the respective date. Total capital includes total equity and net debt.

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2019, the Group had borrowings of approximately S$54.0 million (2018: approximately S$51.3 million). Certain borrowings were secured by certain inventories, motor vehicles, finance lease receivables and corporate guarantee provided by the Company as disclosed in note 20 to the consolidated financial statements.

The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest-bearing borrowings, which enable the Group to continue its business for the foreseeable future.

CAPITAL EXPENDITURE AND COMMITMENTS

During the year ended 31 December 2019, the capital expenditures amounted to approximately S$6.6 million which was used for the purchases of property, plant and equipment in Singapore (2018: approximately S$6.0 million). The Group finances its capital expenditures primarily through cash generated from operating activities and bank borrowings.

As at 31 December 2019, the Group did not have material capital commitments (2018: nil).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any significant investment, material acquisition and disposal of subsidiaries and affiliated companies during the year ended 31 December 2019.

FOREIGN EXCHANGE RISK

The Group is exposed to foreign exchange risk arising from foreign currency transactions. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

The Group is exposed to foreign exchange risk arising from various currency exposure, primarily with respect to United States dollars, EURO dollars, British pound sterling, Japanese yen and Hong Kong dollars. The Group's exposure to other foreign exchange movements is not material.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2019 (2018: nil).

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group employed a total of 76 employees (2018: 72 employees), not including the Directors.

The remuneration package of the employee mainly includes salaries and allowances, sales commission and bonuses. The remuneration of the employees is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. The Company has adopted a share option scheme to reward the employees for their contribution to the Group and to provide them with incentives to further contribute to the Group.

The Group also provides in-house trainings to the staff which aim at updating their product knowledge, as well as improving their technical skills.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus dated 13 February 2019 (the "Prospectus"), the Group did not have plans for material investments and capital assets as at 31 December 2019.

USE OF PROCEEDS

The total net proceeds raised from the Listing (the "Net Proceeds") were approximately HK$52.9 million after deduction of underwriting fees and commissions and estimated expenses payable by the Group in connection with the Share Offer.

Set out below are details of the allocation of the Net Proceeds, the utilised and unutilised amounts of the Net Proceeds as at 31 December 2019:

	Approximate percentage of total amounts	Actual Net Proceeds HK$'000	Planned utilised amounts as at 31 December 2019 HK$'000	Actual utilised amounts as at 31 December 2019 HK$'000	Unutilised amounts as at 31 December 2019 HK$'000
Expanding the scale of the Group's motor vehicle hire purchase financing business	45.8%	24,230	11,090	11,090	13,140
Expanding the scale of the Group's pre-owned motor vehicle sales business	30.2%	15,974	9,140	9,140	6,834
Setting up a motor vehicle workshop	10.4%	5,499	5,499	—	5,499
Enhancing the Group's branding, sales and marketing efforts	7.7%	4,062	2,062	2,062	2,000
Working capital	5.9%	3,148	1,548	1,548	1,600
Total	**100%**	**52,913**	**29,339**	**23,840**	**29,073**

The reason for the under-utilisation of the Net Proceeds for setting up a motor vehicle workshop was mainly due to the Group still not execute a definitive tenancy agreement with the landlord for the motor vehicle workshop. Upon the expiry of the memorandum of understanding which was previously entered into with the landlord, the Group has been negotiating the final terms of the tenancy agreement with the landlord and the results of which is still pending. Meanwhile, the Group is also using its best endeavors to identify other appropriate location for the motor vehicle workshop. The Group intends to set up its own motor vehicle workshop and utilise the remaining proceeds of approximately HK$5.5 million by 2020.

Save as the above-mentioned, the Company intends to use the other unutilised Net Proceeds as at 31 December 2019 in the same manner (including the expected timing) and proportions as described in the Prospectus.

DIRECTORS

Executive Directors

Mr. Tan Shuay Tarng Vincent (陳率堂先生) (formerly named as "Tan Swee Poh Vincent") ("Mr. Vincent Tan"), aged 56, is the founder and was appointed as a Director on 4 July 2017. He was re-designated as an executive Director and appointed as the Chairman and Chief Executive Officer on 12 January 2018. He is also a director of all of the Company's subsidiaries. As Chief Executive Officer, Mr. Vincent Tan is responsible for the Group's overall management, strategy and business development, and has been instrumental in growing and expanding the Group.

Mr. Vincent Tan has over 30 years of experience in the motor vehicle industry in Singapore. Before establishing Vincar Trading as a sole proprietorship in October 1989, Mr. Vincent Tan was the sole proprietor of Hoon Soon Car Trading, which principally engaged in the retail sales of motor vehicles from January 1988 to August 1993.

Mr. Vincent Tan was awarded a Diploma in Civil Engineering from the Singapore Polytechnic in May 1983. He then served in the Singapore Armed Forces as an infantry officer from June 1983 to December 1985.

Mr. Vincent Tan is the spouse of Ms. Beng Lee Ser Marisa, a member of senior management of the Group, who is the step-sister of Ms. Ng Hui Bin Audrey, an executive Director.

Ms. Ng Hui Bin Audrey (黃慧敏女士) ("Ms. Ng"), aged 44, was appointed as a Director on 25 September 2017 and re-designated as an executive Director on 12 January 2018. She is also a senior manager of administration and operations department of the Group, since May 2011. As senior manager, she is responsible for supervising the administration team and providing support to the sales and logistics teams. Ms. Ng joined our Group as Assistant Administration Manager in March 2005 and has approximately 20 years of experience in performing administrative and office support duties.

Ms. Ng started her career in 1996 as a reservation clerk at Sedona Hotels International, a hospitality company in Singapore. Subsequently, she joined Singapore International Convention and Exhibition Centre as a sales administrator in 1997.

Ms. Ng was awarded a Diploma in Business Studies (Leisure & Travel Management) from the Ngee Ann Polytechnic, Singapore in August 1997.

Ms. Ng is the step-sister of Ms. Beng Lee Ser Marisa, who is the spouse of Mr. Vincent Tan, the Chairman and an executive Director.

Mr. Khung Poh Sun (康寶山先生) ("Mr. Khung"), aged 68, was appointed as a Director on 4 July 2017 and re-designated as an executive Director on 12 January 2018. He is concurrently a director of the operations and logistics department, a position he has held since January 2011. As director of the operations and logistics department, his duties include organising and overseeing the daily operations of the Group and managing the Group's external relationships. Before assuming his position as director of the operations and logistics department, he was a sales broker from January 2003 to December 2007, and then a general sales manager from January 2008 to December 2010. Mr. Khung has been with the Group since our inception.

Biographies of Directors and Senior Management

Non-Executive Director

Mr. Raymond Wong (王潹寬先生) ("Mr. Wong"), aged 54, was appointed as a Director on 25 September 2017 and re-designated as a non-executive Director on 12 January 2018. Mr. Wong has more than 25 years of experience in the legal profession.

Mr. Wong is presently a director and shareholder of RWong Law Corporation with effect from November 2019. He was a named partner of Wong Thomas & Leong, a Singapore law firm, from 1999 to 2019.

Mr. Wong was awarded a Bachelor of Laws (Honours) from the University of London in 1990. He became a barrister-at-law of The Honourable Society of Gray's Inn in 1991 and was admitted as an Advocate & Solicitor of the Supreme Court of Singapore in 1992.

Independent Non-Executive Directors

Mr. Chow Wing Tung (周永東先生) ("Mr. Chow"), aged 45, was appointed as an independent non-executive Director on 1 February 2019. Mr. Chow has over 15 years of experience in accounting, auditing and corporate finance.

Mr. Chow is currently and has been the financial controller of Synear Food Holdings Limited ("Synear") since April 2005. Synear and its subsidiaries engage in the manufacture and sales of quick freeze food products in the PRC. Synear was listed on the main board of Singapore Exchange Limited and has been voluntarily delisted since December 2013. From January 2004 to January 2005, Mr. Chow was the financial controller of China Paper Holdings Limited (SGX: C71), a company engaged in the manufacture and sales of paper and paper chemical products in the PRC and whose shares are listed on the main board of Singapore Exchange Limited.

From June 2013 to March 2019, Mr. Chow was appointed as an independent non-executive Director of China Bio Cassava Holdings Limited (currently known as Cloud Investment Holdings Limited) (stock code: 8129), a company principally engaging in the software products businesses, the shares of which was listed on GEM of the Stock Exchange and has been delisted since 26 March 2019. From May 2016 to November 2017, Mr. Chow was an independent non-executive Director of Chuan Holdings Limited (stock code: 1420), a company principally engaging in the business of provision of earthworks and related services and general construction in Singapore, the shares of which are listed on the Main Board. From November 2014 to May 2017, Mr. Chow was an independent non-executive Director of Jimei International Entertainment Group Limited (currently known as Starlight Culture Entertainment Group Limited) (stock code: 1159), a company primarily engaged in entertainment and gaming business, trading of chemical, energy conservation, and environmental protection products and media and culture business, the shares of which are listed on the Main Board.

Mr. Chow graduated from the University of Toronto with a Bachelor of Commerce degree in November 1997. Mr. Chow is a certified public accountant certified by the Washington State Board of Accountancy since 2001, a member of the American Institute of Certified Public Accountants since October 2001, a certified public accountant certified by the Hong Kong Institute of Certified Public Accountants since July 2003 and a Chartered Global Management Accountant certified by the American Institute of Certified Public Accountants since July 2012.

Biographies of Directors and Senior Management

Mr. Hui Yan Kit (許人傑先生) ("Mr. Hui"), aged 46, was appointed as an independent non-executive Director on 1 February 2019. Mr. Hui has over 20 years of experience in business management, sales and marketing both in Hong Kong and the PRC.

Mr. Hui is currently the general manager of Shanghai Ngai Hing Plastic Materials Co., Limited, a wholly owned subsidiary of Ngai Hing Hong Company Limited (stock code: 1047) ("Ngai"). Ngai and its subsidiaries are engaged in manufacture and sales of plastic materials both in Hong Kong and the PRC and whose shares are listed on the Main Board. Mr. Hui joined Ngai in 1998 and is responsible for sales and marketing of plastic materials in Shanghai and the eastern region of the PRC.

Mr. Hui graduated from the University of Toronto with a Bachelor of Arts degree in November 1998. Mr. Hui was appointed in July 2004 as an independent non-executive Director of Century Legend (Holdings) Limited (stock code: 0079), a company principally engaging in property investments in both Hong Kong and Macau and whose shares are listed on the Main Board.

Mr. Tam Yat Kin Ken (譚日健先生) ("Mr. Tam"), aged 42, was appointed as an independent non-executive Director on 1 February 2019. Mr. Tam has more than 13 years' experience in managing business development, project management and corporate transformations.

Mr. Tam is currently the managing director of KS Enterprises Hong Kong Limited, a company engaged in wine investment and management. He has been responsible for the general management of the company since June 2015. He served as the chief operating officer for DT International Holdings Limited from 2011 to 2015, a printing and packaging solution provider. Mr. Tam was the managing director of Green Impact Solution Limited between 2009 and 2011, an energy efficient solution provider. Prior to that, he served Fincentric Corporation, a global banking software provider, in various capacities from 2000 to 2007, including product director from 2006 to 2007.

Mr. Tam graduated from the University of British Columbia with a Bachelor of Applied Science degree in 2000. He was awarded a Master of Business Administration degree by the University of Cambridge in 2009. Mr. Tam has been a full member of the Hong Kong Computer Society since 2010.

SENIOR MANAGEMENT

Ms. Beng Lee Ser Marisa (孟禧臻女士) ("Mrs. Marisa Tan"), aged 46, was the Group's Director of marketing and communications and promoted to Chief Operating Officer since 2 January 2020. She has been with the Group since the inception, and is currently responsible for the Group's branding and marketing strategy and affairs. In addition, she oversees the Group's human resources and employee engagement matters. Previously, she was also involved in the management and implementation of the Group's operational and administrative processes.

Mrs. Marisa Tan is the spouse of Mr. Vincent Tan, the Chairman and an executive Director; and the step-sister of Ms. Ng, an executive Director.

Ms. Koh Hui Kian (辜慧娟女士) ("Ms. Koh"), aged 45, is the Group's finance manager. She has been with the Group since 5 March 2018. Her main duties include financial and management reporting. She has more than 20 years' experience in accounting sector.

Ms. Koh obtained her affiliate certificate from ACCA in 2000. She is a member of the Institute of Singapore Chartered Accountants.

COMPANY SECRETARY

Mr. Lui Wai Sing (呂偉勝先生) ("Mr. Lui"), aged 31, was appointed as company secretary of the Company on 12 January 2018. Mr. Lui has been the company secretary of Cool Link (Holdings) Limited (stock code: 8491) and Zhuoxin International Holdings Limited (stock code: 8266) since 17 March 2017 and 1 January 2020 respectively.

Mr. Lui has over 7 years of working experience in auditing field. Mr. Lui was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in September 2013. He received a Bachelor of Business Administration from Lingnan University in October 2009.

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the interests of its shareholders and enhance its corporate value and accountability. The Directors recognize the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability. The Company adopted all the code provisions in the Corporate Governance Code (the "Corporate Governance Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange as its own code on corporate governance practices.

Throughout the period from the date of listing of the shares of the Company on the Stock Exchange on 28 February 2019 (the "Listing Date") to 31 December 2019 (the "Period"), the Company had complied with the code provisions in the Corporate Governance Code with the exception of the code provision A.2.1. Details of such deviation is explained under the paragraph headed "Chairman and Chief Executive Officer" below.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Model Code during the Period.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company had complied with the code provisions in the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules throughout the Period except for the code provisions on A.2.1.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive shall be separated and shall not be performed by the same individual. Mr. Vincent Tan currently holds both positions. Throughout the business history, Mr. Vincent Tan, as a founder and the controlling shareholder of the Group, has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors, including the independent non-executive Directors consider that Mr. Vincent Tan is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the shareholders as a whole.

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the articles of association of the Company (the "Articles of Association"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to management if and when considered appropriate. Management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and other duties assigned to it from time to time.

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this report, the Board comprises the following seven Directors, of which the independent non-executive Directors in aggregate represent more than one-third of the Board members:

Executive Directors

Mr. Tan Shuay Tarng Vincent *(Chairman and Chief Executive Officer)*
Ms. Ng Hui Bin Audrey
Mr. Khung Poh Sun

Non-Executive Director

Mr. Raymond Wong

Independent Non-Executive Directors

Mr. Chow Wing Tung	(appointed on 1 February 2019)
Mr. Hui Yan Kit	(appointed on 1 February 2019)
Mr. Tam Yat Kin Ken	(appointed on 1 February 2019)

The biographies of each of the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

Throughout the Period, the Company had three independent non-executive Directors, meeting the requirements of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board members, and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence in writing from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that all the independent non-executive Directors are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules from the Listing Date up to the date of this annual report.

Proper insurance coverage in respect of legal actions against the Directors' liabilities has been arranged by the Company.

Directors' Induction and Continuing Professional Development

Pursuant to the code provision A.6.5 of the Corporate Governance Code, all Directors should 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.

Pursuant to the code provision A.6.1 of the Corporate Governance Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. During the period from the Listing Date and up to the date of this annual report, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

Prior to the Listing of the Company, each of the aforesaid Directors have attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and on-going obligations of listed companies.

The Directors are asked to submit a signed training record to the Company on an annual basis.

As the Company was listed on the Listing Date, no remuneration committee ("Remuneration Committee") meeting, nomination committee ("Nomination Committee") meeting and general meeting was held since the Listing Date to 31 December 2019. The attendance records of the Directors for the regular board meeting and the audit committee ("Audit Committee") meeting of the Company for the year are as follows:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Annual general meeting
Executive Directors					
Mr. Tan Shuary Tarng Vincent	2/2	N/A	N/A	N/A	N/A
Mr. Khung Poh Sun	2/2	N/A	N/A	N/A	N/A
Ms. Ng Hui Bin Audrey	2/2	N/A	N/A	N/A	N/A
Non-Executive Director					
Mr. Raymond Wong	2/2	N/A	N/A	N/A	N/A
Independent Non-Executive Directors					
Mr. Chow Wing Tung (appointed on 1 February 2019)	2/2	1/1	N/A	N/A	N/A
Mr. Hui Yan Kit (appointed on 1 February 2019)	2/2	1/1	N/A	N/A	N/A
Mr. Tam Yat Kin Ken (appointed on 1 February 2019)	2/2	1/1	N/A	N/A	N/A

BOARD COMMITTEES

The Company have established an Audit Committee, a Remuneration Committee and a Nomination Committee. Each committee operates in accordance with its terms of reference established by the Board. The functions of the three committees are summarised as follows:

AUDIT COMMITTEE

The Company established an Audit Committee on 1 February 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Chow Wing Tung, Mr. Hui Yan Kit and Mr. Tam Yat Kin Ken. Mr. Chow Wing Tung is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

During the year, the Audit Committee reviewed the interim and annual financial statements, results announcements and reports of the Group. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2019 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 1 February 2019 with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code. The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Chow Wing Tung, Mr. Hui Yan Kit and Mr. Tam Yat Kin Ken. Mr. Hui Yan Kit is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of the Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 1 February 2019 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Chow Wing Tung, Mr. Hui Yan Kit and Mr. Tam Yat Kin Ken. Mr. Tam Yat Kin Ken is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to make recommendations to the Board to fill vacancies on the same.

DIVERSITY OF THE BOARD

The Group has adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of the Board that are relevant to the business growth. Pursuant to the board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee is responsible for ensuring the diversity of the Board. The Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness.

COMPANY SECRETARY

The company secretary of the Company assists the Board by ensuring the Board policy and procedures are followed. The company secretary is also responsible for advising that Board on corporate governance matters.

The Company has appointed Mr. Lui Wai Sing ("Mr. Lui") as its company secretary. He has complied with all the required qualifications, experiences and training requirements under the Listing Rules. For the year ended 31 December 2019, Mr. Lui has complied with the Listing Rules by taking not less than 15 hours of relevant professional training. The biographic of Mr. Lui is set out in the section headed "Biographical of Directors and Senior Management" of this annual report.

INDEPENDENT AUDITOR'S REMUNERATION

During the year ended 31 December 2019, PricewaterhouseCoopers was engaged as the Group's independent auditor. The remuneration paid/payable to PricewaterhouseCoopers in respect of audit services and non-audit services in relation to the listing of the Company's shares on the Stock Exchange amounted to HK$1,088,000 and HK$598,000 respectively for the year ended 31 December 2019.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration and five highest paid individuals are set out in note 9 to the consolidated financial statements.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group. The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. In addition, PricewaterhouseCoopers has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound and effective risk management and internal control systems of the Group and reviewing their effectives annually in order to safeguard the interests of the shareholders and the assets of the Company against unauthorized use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations. The main features and the key elements of the risk management and internal control systems of the Company include the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness. An ongoing risk assessment approach has been adopted by the Company for identifying and assessing the key inherent risks that affect the achievement of its objectives. The judgement of the risk is mainly determined in accordance with the likelihood of occurrence and consequence of occurrence of the risk. During the process of risk assessment, the Audit Committee of the Company is responsible for identifying the risk of the Group and deciding on the risk levels and the Board is responsible for assessing and determining the nature and extent of the risks that are acceptable to the Group when achieving its strategic objectives. After discussing and taking into consideration the risk response, the relevant departments and business units shall be assigned to implement the risk management solutions in accordance with their respective roles and responsibilities. The identified risk together with the risk response will be recorded and subject to the Board's oversight.

An outsourced internal audit team was engaged to perform a review on the major operating units of the Group in relation to the risk management and internal control systems of the Group, according to the scope of review agreed and directed by the Audit Committee of the Company covering the Group's material controls in financial, operational and compliance aspects. The review identified certain internal control weaknesses and risks. The internal audit team has reported to the Audit Committee of the Company.

The Group's risk management and internal control systems 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 procedures and internal controls of the Company for handling and dissemination of inside information includes conducting the affairs of the Company with close regard to the Guidelines on Disclosure of Inside Information published by Securities and Futures Commission and the Listing Rules and reminding the Directors and employees of the Group regularly about due compliance with all polices regarding the inside information.

During the year, risk management and internal control systems have been reviewed by an engaged external professional adviser with the management of the Company and the Board had reviewed the effectiveness of the Group's risk management and internal control systems and considered the Group's risk management and internal control systems are effective and adequate.

Under code provision C.2.5 of the Corporate Governance Code, the Group should have an internal audit function. The Company has no internal audit function because the Company has maintained an internal control system and its implementation has been considered effective by the audit committee and the Board. In addition, the Audit Committee has communicated with external auditor of the Company to understand if there is any material control deficiency. Nevertheless, the Company will review the need for one on an annual basis.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;

- the Group has strictly prohibited unauthorised use of confidential or inside information; and

- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors and the company secretary are authorised to communicate with parties outside the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the year ended 31 December 2019.

SHAREHOLDERS' RIGHTS

Procedures for putting forward proposals at shareholders' meetings

There is no provision allowing shareholders to make proposals or move resolutions at the annual general meetings (the "AGM(s)") under the memorandum of association of the Company and the Articles of Association or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "EGM") in accordance with the "Procedures for shareholders to convene an EGM" set out below.

Procedures for shareholders to convene an EGM

Any one or more shareholders holding at the date of deposit of the requisition not less than 10% of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to require an EGM to be called by the Board or the joint company secretaries for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong for the attention of the company secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the company secretary will ask the Board to convene an EGM and/or include the proposal(s)made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, the Board will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM.

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

PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRES TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post for the attention of the company secretary. Upon receipt of the enquiries, the company secretary will forward the communications relating to:

1. the matters within the Board's purview to the executive Directors;

2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a shareholders' communication policy with the objective of ensuring that the shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the shareholders mainly through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

CONSTITUTIONAL DOCUMENTS

The amended and restated memorandum and Articles of Association of the Company was adopted on 1 February 2019 and took effect from the Listing Date. There had been no significant change in the Company's constitutional documents since the Listing Date. The Company has posted its amended and restated memorandum and Articles of Association on the respective websites of the Stock Exchange and the Company.

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statement of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 24 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out in the section headed "Management Discussion and Analysis" of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 and financial position of the Group as at that date are set out in the section headed "Consolidated Statement of Comprehensive Income" and "Consolidated Statement of Financial Position" on pages 41 and 42 to 43 respectively of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group realises the importance of environmental protection in pursuing a long-term sustainability. The Group is committed to improving environmental sustainability and will closely monitor the performance. Further discussions on the Group's environmental policies and performance are covered by a separate Environmental, Social and Governance Report which will be posted on the websites of the Company and the Stock Exchange within three months from the publication of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2019, as far as the Directors are aware, the Group did not have any non-compliance with relevant laws and regulations that is material in nature.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

Employees are remunerated equitably and competitively. Continuing training and development opportunities are provided to equip them to deliver their best performance and achieve corporate goals. The Group also provides a healthy and safe workplace for all employees.

The Group has enhanced communications with customers via various channels so as to provide excellent and quality customer services, with a focus on the customers' need and thus enhance customer satisfaction and loyalty. In addition, the Group also assigns designated personnel to maintain customers relationship, responding to the feedback and complaints from customers.

The Group has established strong cooperation relationship with a number of suppliers. The Group places emphasis on ongoing assessment and monitoring on the selection of suppliers in order to ensure compliance with the Group's commitment to quality and ethical conduct.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2019 are set out in the note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company issued share capital during the year are set out in note 21 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 45 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution to equity holders of the Company comprising share premium less accumulated deficits, amounted to approximately S$9.5 million (2018: Nil).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 104 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 43.4% and 53.7% respectively of the Group's total purchase cost of motor vehicles. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for approximately 5.3% and 17.3% respectively of the Group's total revenue for the year ended 31 December 2019.

To the best of the Directors' knowledge, none of the Directors, their close associates, nor any shareholder (which, to the best knowledge of the Directors, owned more than 5% of the Company's issued shares) had any material beneficial interest in the Group's five largest customers or suppliers.

DONATIONS

During the year ended 31 December 2019, the Group made charitable donations of approximately S$95,000 (2018: S$28,000).

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive Directors:

Mr. Tan Shuay Tarng Vincent
Ms. Ng Hui Bin Audrey
Mr. Khung Poh Sun

Non-Executive Director:

Mr. Raymond Wong

Independent Non-Executive Directors:

Mr. Chow Wing Tung	(appointed on 1 February 2019)
Mr. Hui Yan Kit	(appointed on 1 February 2019)
Mr. Tam Yat Kin Ken	(appointed on 1 February 2019)

Article 83(3) of the Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until conclusion of the next following AGM of the Company and shall then be eligible for re-election.

Article 84 of the Articles of Association provides that (1) one-third of the Directors for the time being (or, if their number is a not multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM, provided that every Director shall be subject to retirement by rotation at least once every three years; (2) A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election.

Each of Ms. Ng Hui Bin Audrey, Mr. Raymond Wong and Mr. Hui Yan Kit will retire at the forthcoming AGM and all of them, being eligible, will offer themselves for re-election at the forthcoming AGM.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographies of the Directors and senior management of the Company are set out on pages 13 to 16 of this annual report.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, a confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing on the Listing Date and will continue thereafter unless terminated by either party giving to the other not less than three months' notice in writing.

The non-executive Director has entered into a letter of appointment with the Company for a term of one year commencing on the Listing Date and will continue thereafter until terminated in accordance with the terms of the appointment letter.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing on the Listing Date and will continue thereafter until terminated in accordance with the terms of the appointment letter.

Save as disclosed aforesaid, none of the Directors has entered into a service agreement or agreement for appointment with the Company or any of its subsidiaries other than the agreement expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Save for the contracts described under the section headed "Related Party Transactions" as set out in note 22 to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its holding company or subsidiaries or fellow subsidiaries was a party and in which a Director and his/her connected party had a material interest, whether directly or indirectly, subsisted during or at end of the year.

CONTROLLING SHAREHOLDERS' INTEREST

No contracts of significance were entered into between the Company or any of its subsidiaries and any controlling shareholders or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by any controlling shareholders or any of its subsidiaries.

COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Titan Financial Services Limited ("Titan"), as at 31 December 2019, except for the compliance adviser agreement entered into between the Company and Titan dated 12 January 2018, none of Titan, its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

DIVIDEND POLICY

The Company has adopted a general annual dividend policy of declaring and paying dividends on an annual basis of not less than 15% of our distributable profit for any particular financial year. The Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to the applicable laws and regulations including the Companies Law and the Articles of Association which also require the approval of the shareholders. The amount of any dividends to be declared and paid in the future will depend on, amongst other things, our results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors.

CONNECTED TRANSACTIONS

During this year, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the year are disclosed in note 22 to the consolidated financial statements. The related party transactions disclosed in note 22 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. The Group confirms that the Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporation" below, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the shares of the Company

Name of director	Capacity/Nature of interest	Number of shares (Note 1)	Approximate percentage of shareholding in the Company
Mr. Vincent Tan	Interest in a controlled corporation (Note 2)	381,400,000 (L)	42.4%

Notes:

1. The Letter "L" denotes the person's long position in the relevant shares.

2. All the issued shares of Gatehouse Ventures Limited ("Gatehouse Ventures") are legally and beneficially owned as to 100% by Mr. Vincent Tan. Accordingly, Mr. Vincent Tan is deemed to be interested in 381,400,000 shares held by Gatehouse Ventures by virtue of the SFO. Mr. Vincent Tan is a controlling shareholder and an executive Director of the Company.

Save as disclosed above, as at 31 December 2019, none of the Directors nor chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to be Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far is known to the Directors, as at 31 December 2019, the following persons/entities (not being a Director or the chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company which would be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares of the Company

Name	Capacity/Nature of interest	Number of shares (Note 1)	Approximate percentage of shareholding in the Company
Gatehouse Ventures	Beneficial owner	381,400,000 (L)	42.4%
Ms. Beng Lee Ser Marisa ("Mrs. Marisa Tan")	Interest of spouse (Note 2)	381,400,000 (L)	42.4%
Gifted Ally Limited ("Gifted Ally")	Beneficial owner	69,500,000 (L)	7.7%
Mr. Ng Tat Po	Interest in controlled corporation (Note 3)	69,500,000 (L)	7.7%
Ms. Sham Wai Shan Suzanne	Interest of Spouse (Note 4)	69,500,000 (L)	7.7%

Notes:

1. The Letter "L" denotes the person's long position in the relevant shares.

2. Mrs. Marisa Tan is the spouse of Mr. Vincent Tan and is therefore deemed to be interested in all the shares that Mr. Vincent Tan is interested in via Gatehouse Ventures by virtue of the SFO.

3. All the issued shares of Gifted Ally are legally and beneficially owned as to 100% by Mr. Ng Tat Po. Accordingly, Mr. Ng Tat Po is deemed to be interested in all the shares held by Gifted Ally by virtue of the SFO.

4. Ms. Sham Wai Shan Suzanne is the spouse of Mr. Ng Tat Po and is therefore deemed to be interested in all the shares that Mr. Ng Tat Po is interested in via Gifted Ally by virtue of the SFO.

Save as disclosed above, as at 31 December 2019, no other interests or short positions in the shares or underlying shares of the Company which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "Share Option Scheme") on 1 February 2019. The purpose of the Share Option Scheme is to enable the Company to grant options to eligible persons as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group. The principal terms of the Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the Prospectus.

(1) Purpose

The purpose of this Share Option Scheme is to enable the Board to grant options to selected eligible persons as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group.

(2) Eligible person

Eligible persons means (i) any employee or proposed employee (whether full time or part time employee, including any director) of any member of the Group or any invested entity; and (ii) any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contribute to the development and growth of the Group or any invested entity;

(3) Total number of shares available for issue

The total number of shares in respect of which options may be granted under this Share Option Scheme and any other share option schemes shall not in aggregate exceed 90,000,000 shares, being 10% of the total number of shares in issue.

(4) Total maximum entitlement of each eligible person

No option shall be granted to any eligible person if any further grant of options would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of shares in issue from time to time.

(5) Option period and payment on acceptance of the option

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 on acceptance of the offer. Options may be exercised at any time during a period commencing on or after the date on which the option is accepted and granted and expiring on a date to be notified by the Board to each grantee which shall not be more than 10 years from the date on which the option is accepted and granted.

(6) Minimum Period for which an option must be held before it can be exercised

No minimum period for which an option must be held before it can be exercised unless otherwise determined by the Board at the time of grant.

(7) Subscription price of shares

The subscription price shall be such price as determined on the date of grant by the Board, and shall be at least the highest of:

(a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant;

(b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and

(c) the nominal value of a share on the offer date.

(8) Period of the Share Option Scheme

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted. All options granted and accepted and remaining unexercised immediately prior to expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

As at 31 December 2019, no share option was outstanding under the Share Option Scheme. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2019 and up to the date of this annual report.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 17 to 26 of this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on 23 June 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 18 June 2020 to 23 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 17 June 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient minimum public float under the Listing Rules since the Listing Date up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties. Such permitted indemnity provision has been in force since the Listing Date up to 31 December 2019. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in note 28 to the consolidated financial statements, the Directors are not aware of any other significant event which had material effect on the Group subsequent to 31 December 2019 and up to the date of this annual report.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, who will retire at the conclusion of the forthcoming AGM, and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor. There has been no change in the Company's auditor since the Listing Date.

By Order of the Board

Tan Shuay Tarng Vincent
Chairman and Executive Director

Hong Kong, 30 March 2020

Independent Auditor's Report

pwc 羅兵咸永道

To the shareholders of Guan Chao Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Guan Chao Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 41 to 103, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter identified in our audit is related to net realisable value of inventories.

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of inventories	
Refer to Note 2.11 (Accounting policies), Note 4(a) (Critical accounting estimates) and Note 14 (Inventories) to the consolidated financial statements At 31 December 2019, inventories of the Group which comprised of mainly motor vehicles amounted to S$26.1 million. Inventories are carried at the lower of cost and net realisable value. Management determines the net realisable value of motor vehicles by applying significant judgment and assumptions. Management evaluates, among other factors, the estimated selling price of respective motor vehicles based on the prevailing market conditions. For the year ended 31 December 2019, reversal of impairment of inventories of S$51,000 was made to write back the carrying amount of certain motor vehicles to their estimated net realisable value as at year end. We focused on this area due to the size of the inventories balance and the significant judgment involved by management in determining the net realisable value of the inventories.	Our procedures in relation to management's assessment of net realisable value on inventories included: — Tested the reliability of the inventory report, including the completeness and accuracy of the underlying data, on a sampling basis. — Tested management's assumptions on the future selling price of the selected samples of motor vehicles against the respective indicative market price obtained through independent vehicle price research or the subsequent sales records. — Compared prior year estimates to actual results in the current year and inquired of management reasons for any significant differences. — Tested the mathematical accuracy of the calculation of the inventory provision. Based on procedures performed, we found management's assessment of the net realisable value of inventories to be supportable by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of 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 Directors and the Audit Committee 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 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible 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. We report our opinion 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 judgment 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 Chan Wai Ching.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 S$'000	2018 S$'000
Revenue	5	**186,971**	184,993
Cost of sales	8	**(166,027)**	(162,959)
Gross profit		**20,944**	22,034
Other income	6(a)	**496**	464
Other gains — net	6(b)	**88**	114
Selling and distribution expenses	8	**(5,039)**	(3,885)
General and administrative expenses	8	**(9,948)**	(7,975)
Provision for impairment of trade receivables	15	**(52)**	—
Operating profit		**6,489**	10,752
Finance income	7	**17**	—
Finance expenses	7	**(2,296)**	(1,677)
Finance expenses — net		**(2,279)**	(1,677)
Profit before income tax		**4,210**	9,075
Income tax expense	10(a)	**(1,204)**	(1,645)
Profit and total comprehensive income for the year		**3,006**	7,430
Basic and diluted earnings per share for profit attributable to equity holders of the Company for the year (expressed in Singapore cents per share)	12	**0.35**	1.07

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	As at 31 December 2019 S$'000	2018 S$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**22,785**	14,651
Deferred income tax assets	10(c)	**159**	131
Finance lease receivables	18	**21,090**	21,084
		44,034	35,866
Current assets			
Inventories	14	**26,110**	27,516
Trade and other receivables	15	**25,176**	23,144
Finance lease receivables	18	**5,990**	6,058
Amount due from a related party	16(a)	**—**	22
Cash and bank balances	17	**9,649**	7,855
		66,925	64,595
Total assets		**110,959**	100,461

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 S$'000	2018 S$'000
		As at 31 December	
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the Company			
Share capital	21	1,550	*
Share premium	21	11,864	—
Capital reserve	21	3,494	3,494
Retained earnings		27,244	24,238
Total equity		44,152	27,732
LIABILITIES			
Non-current liabilities			
Borrowings	20	26,161	19,702
Current liabilities			
Trade and other payables and provision for warranty	19	11,244	19,258
Amount due to a shareholder	16(a)	—	131
Borrowings	20	27,849	31,635
Income tax liabilities	10(b)	1,553	2,003
		40,646	53,027
Total liabilities		66,807	72,729
Total equity and liabilities		110,959	100,461

* Amount below S$1,000

The consolidated financial statements on pages 41 to 103 were approved and authorised for issue by the Board of Directors on 30 March 2020 and were signed on its behalf.

Mr. Tan Shuay Tarng Vincent
Director

Ms. Ng Hui Bin Audrey
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Statement of Financial Position of the Company

As at 31 December 2019

	Note	As at 31 December 2019 S$'000	2018 S$'000 (Unaudited)
ASSETS			
Non-current asset			
Investment in subsidiaries	24	2,294	—
Current assets			
Trade and other receivables		342	—
Amount due from a subsidiary	24	7,074	*
Cash and bank balances		1,530	—
Total assets		11,240	
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the Company			
Share capital	21	1,550	*
Share premium	21	11,864	—
Accumulated deficit		(2,334)	—
Total equity		11,080	—
LIABILITIES			
Current liabilities			
Trade and other payables		160	—
Total liabilities		160	—
Total equity and liabilities		11,240	—

* Amount below S$1,000

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 30 March 2020 and was signed on its behalf.

Mr. Tan Shuay Tarng Vincent
Director

Ms. Ng Hui Bin Audrey
Director

The above statement of financial position of the Company should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Share capital S$'000	Share premium S$'000	Capital reserve S$'000 Note 21(e)	Retained earnings S$'000	Total equity S$'000
		Attributable to owners of the Company				
Balance at 1 January 2018		*	—	3,494	16,808	20,302
Profit and total comprehensive income for the year		—	—	—	7,430	7,430
Balance at 31 December 2018		*	—	3,494	24,238	27,732
Balance at 1 January 2019		*****	**—**	**3,494**	**24,238**	**27,732**
Profit and total comprehensive income for the year		**—**	**—**	**—**	**3,006**	**3,006**
Total comprehensive income		*****	**—**	**3,494**	**27,244**	**30,738**
Issuance of share during reorganisation		*****	**—**	**—**	**—**	*****
Share capitalisation	21(c)	**1,197**	**(1,197)**	**—**	**—**	**—**
Issue of shares pursuant to the Share Offer	21(d)	**353**	**14,829**	**—**	**—**	**15,182**
Share issuance costs	21(d)	**—**	**(1,768)**	**—**	**—**	**(1,768)**
Total transactions with owners in their capacity as owners		**1,550**	**11,864**	**—**	**—**	**13,414**
Balance at 31 December 2019		**1,550**	**11,864**	**3,494**	**27,244**	**44,152**

* Amount below S$1,000

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 S$'000	2018 S$'000
Cash flows from operating activities			
Profit for the year		**3,006**	7,430
Adjustments for:			
Income tax expense		**1,204**	1,645
Depreciation expense	8	**3,356**	1,688
Gain/(loss) on disposal of property, plant and equipment	6(b)	**(270)**	7
Reversal of provision for inventories write-down	8	**(51)**	(360)
Finance expenses	7	**2,296**	1,677
Finance income	7	**(17)**	—
Provision for impairment of trade receivables	15	**52**	—
		9,576	12,087
Changes in working capital:			
Inventories		**1,457**	(9,728)
Finance lease receivables		**62**	83
Trade and other receivables		**(2,084)**	(3,790)
Trade and other payables		**(6,759)**	6,314
Cash generated from operations		**2,252**	4,966
Interest received		**17**	—
Income tax paid	10(b)	**(1,682)**	(2,204)
Net cash generated from operating activities		**587**	2,762
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,297)**	(5,186)
Proceeds from disposal of property, plant and equipment	23(a)	**1,323**	496
Repayment from a related party		**22**	—
Net cash used in investing activities		**(3,952)**	(4,690)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 S$'000	2018 S$'000
Cash flows from financing activities			
Repayment to a shareholder		**(131)**	(2,895)
Issuance of new shares, net of issuance costs	21(d)	**13,414**	—
Proceeds from borrowings		**152,677**	91,695
Repayment of borrowings		**(155,678)**	(80,948)
Principal and interest elements of lease liabilities		**(1,351)**	—
Interest paid		**(1,741)**	(1,677)
Listing expense paid		**(1,255)**	(331)
Net cash generated from financing activities		**5,935**	5,844
Net increase in cash and cash equivalents		**2,570**	3,916
Cash and cash equivalents at beginning of year		**7,079**	3,163
Cash and cash equivalents at end of year		**9,649**	7,079
Analysis of balances of cash and cash equivalents			
Cash and bank balances	17	**9,649**	7,855
Bank overdrafts	20	**—**	(776)
Cash and cash equivalents at end of year		**9,649**	7,079

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 General information and reorganisation

1.1 General information

The Company was incorporated in the Cayman Islands with the name of Guan Chao Holdings Limited (the "Company") on 4 July 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together, the "Group") are sale of new parallel-import motor vehicles and pre-owned motor vehicles, provision of motor vehicle financing services and motor vehicle insurance agency services, sale of motor vehicle spare parts and accessories, and provision of motor vehicle leasing services (the "Business").

The Company's ordinary shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 28 February 2019.

The consolidated financial statements are presented in thousands of units of Singapore Dollar ("S$'000") unless otherwise stated. The consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2020.

1.2 Reorganisation

Prior to the Reorganisation (as defined below), the Listing Business was carried out by Vincar Pte. Ltd. ("Vincar"), Vincar Leasing and Rental Pte. Ltd. ("VLR") and Autoart Motorsports Pte. Ltd. ("Autoart") (collectively, the "Operating Companies"), which were controlled collectively by Mr. Vincent Tan, the executive director of the Company.

In preparation for the initial public offering and the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent a group reorganisation (the "Reorganisation") to transfer the Listing Business to the Company. Details of the Reorganisation are set out below:

(i) On 10 May 2017, Gatehouse Ventures Limited ("Gatehouse Ventures") was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US$1.00, of which 10 shares have been allotted and issued to Mr. Vincent Tan for cash at par on 26 May 2017.

(ii) On 12 May 2017, Solution Lion Limited ("Solution Lion") was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US$1.00, of which 87 shares have been allotted and issued to Gatehouse Ventures for cash at par on 26 May 2017.

1 General information and reorganisation (Continued)

1.2 Reorganisation (Continued)

(iii) On 4 July 2017, the Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law, with an authorised share capital of HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each. On the date of its incorporation, one nil-paid share was allotted and issued to Sharon Pierson, as the initial subscriber, and was subsequently transferred to Gatehouse Ventures on the same date.

(iv) On 17 July 2017, Gifted Ally Limited ("Pre-IPO Investor") entered into the pre-IPO investment agreement with Mr. Vincent Tan and Solution Lion, pursuant to which Solution Lion agreed to allot and issue 10 ordinary shares of par value of US$1.00 each to the Pre-IPO Investor for a total cash consideration of HK$13,000,000.

(v) On 12 October 2018, pursuant to the sale and purchase agreement entered into between Mr. Vincent Tan and Solution Lion for the transfer of the entire issued share capital of VLR from Mr. Vincent Tan to Solution Lion, in consideration of the allotment and issue of one ordinary share in Solution Lion, credited as fully paid, to Gatehouse Ventures (being the nominee of Mr. Vincent Tan) at the direction of Mr. Vincent Tan.

(vi) On 12 October 2018, pursuant to the sale and purchase agreement entered into between Mr. Vincent Tan and Solution Lion for the transfer of the entire issued share capital of Vincar from Mr. Vincent Tan to Solution Lion, in consideration of the allotment and issue of one ordinary share in Solution Lion, credited as fully paid, to Gatehouse Ventures (being the nominee of Mr. Vincent Tan) at the direction of Mr. Vincent Tan.

(vii) On 12 October 2018, pursuant to the sale and purchase agreement entered into between Mr. Vincent Tan and Solution Lion for the transfer of the entire issued share capital of Autoart from Mr. Vincent Tan to Solution Lion, in consideration of the allotment and issue of one ordinary share in Solution Lion, credited as fully paid, to Gatehouse Ventures (being the nominee of Mr. Vincent Tan) at the direction of Mr. Vincent Tan.

(viii) On 1 February 2019, pursuant to the sale and purchase agreement entered into among Gatehouse Ventures, the Pre-IPO Investor and the Company for the transfer of all the issued shares of Solution Lion to the Company in consideration of (a) the Company allotting and issuing 89 shares and 10 shares to Gatehouse Ventures and the Pre-IPO Investor, respectively, all credited as fully paid; and (b) the initial share held by Gatehouse Ventures being credited as fully paid.

Upon completion of the Reorganisation, the Company became the holding company of the companies comprising the Group. At the time of completion of the above Reorganisation, effective interest that are directly or indirectly owned or controlled by the Company are disclosed in Note 24.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Company has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements has been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) New and amended standards and interpretations effective in 2019

The Group has adopted the followings new and amended standards and interpretations for the first time for the accounting period beginning on 1 January 2019:

Amendments to IFRS 1	Deletion of short-term exemptions for first-time adopters
Amendments to IFRS 9	Prepayment features with negative compensation
Amendments to IAS 19	Defined benefit plan amendment, curtailment or settlement
Amendments to IAS 28	Long-term interests in associates and joint ventures
IFRS 16	Leases
IFRIC 23	Uncertainty over income tax treatment
Annual improvements project	Annual Improvements 2015–2017 Cycle

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. The impact of adoption is disclosed in Note 2.2. The adoption of other new and amended IFRSs does not have any material impact on the Group's consolidated financial statements for the current period.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(ii) New and amended standards and interpretations that are not yet effective and have not been early adopted by the Group

Amendments to IFRS 3	Definition of a business[1]
Amendments to IAS 1 and IAS 8	Definition of material[1]
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting[1]
IFRS 7, IFRS 9 and IAS 39	Interest rate benchmark reform — amendment to IFRS 7, IFRS 9 and IAS 39[1]
IFRS 17	Insurance contract[2]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date to be determined

The adoption of these new standards, amendments and interpretations is not expected to have significant impact on the consolidated financial statements of the Group.

2.2 Changes in accounting policies

(i) Impact of the adoption of IFRS 16 "Leases"

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balances on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's annual incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.00%.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(i) Impact of the adoption of IFRS 16 "Leases" (Continued)

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	1 January 2019 S$'000
Operating lease commitments disclosed as at 31 December 2018 (Note 25(a))	2,237
Discounted using the lessee's incremental borrowing rate of 5% at the date of initial application	2,112
Less: Short-term leases recognised on a straight-line basis as expenses	(111)
Add: Extension option	3,936
Lease liabilities recognised as at 1 January 2019	5,937

The right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The Group presents right-of-use assets in "property, plant and equipment" in the consolidated statement of financial position.

The Group presents lease liabilities in "Borrowings" in the consolidated statement of financial position.

	31 December 2019 S$'000	1 January 2019 S$'000
Current lease liabilities	1,025	998
Non-current lease liabilities	5,425	4,939
Total lease liabilities	6,450	5,937

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(i) Impact of the adoption of IFRS 16 "Leases" (Continued)

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

	1 January 2019 S$'000 Increase/ (decrease)
Property, plant and equipment — right-of-use assets	5,937
Borrowings — lease liabilities (Current)	(998)
Borrowings — lease liabilities (Non-current)	(4,939)

There was no net impact on retained earnings on 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4, Determining whether an arrangement contains a lease.

When the Group is a lessor, there are no material changes to accounting by the Group as a lessor except when the Group is an intermediate lessor.

2 Summary of significant accounting policies (Continued)

2.3 Subsidiaries

Consolidation

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Non-controlling interests in the results and equity of subsidiaries shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of financial position respectively.

Intra-group transactions, balances, unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statement exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Singapore dollar ("S$"), which is the Company's functional and the Group's presentation currency.

2 Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currencies") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and (iii) all resulting currency translation differences are recognised in other comprehensive income.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive directors (the "Executive Directors"), who make strategic decisions.

2 Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Office equipment	3 years
Motor vehicles	5–10 years
Renovation	Shorter of remaining lease term or 3 years
Computers and software	1–3 years
Furniture and fittings	3 years
Leasehold properties	25–27 years
Right-of-use assets	Remaining lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains — net" in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (Continued)

2.7 Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss for an asset is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in the consolidated statement of comprehensive income.

2.8 Financial instruments

(a) Classification

The Group is required to classify its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction cost of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

2 Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

(b) Recognition and measurement (Continued)

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains — net.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.10 Impairment of financial assets

The Group's financial assets measured at amortised cost are subject to IFRS 9 expected credit loss model. The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(c) set out the details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of trade and finance lease receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the specific identification method and includes all costs in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies (Continued)

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held with banks and bank overdrafts which are subject to an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All borrowing costs are recognised in consolidated statement of comprehensive income in the period in which they are incurred.

2.16 Current and deferred income tax

The tax expense for the years comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies (Continued)

2.16 Current and deferred income tax (Continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (Continued)

2.17 Employee benefits

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund ("CPF") in Singapore, on a mandatory, contractual or voluntary basis. Under the CPF, the employer and its employees make monthly contribution to the scheme at 7.5%–17.0% and 5.0%–20.0%, respectively, of the employees' earnings and the Group has no further payment obligations once the contributions have been paid. The Group's contributions to defined contribution plans are recognised in the reporting period to which they relate.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Provision for bonus plans

Bonus payments to employees are discretionary to management. Bonus payments are recognised in consolidated statement of comprehensive income in the period when the Group has formally announced the bonus payments to employees.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance expense.

The Group recognises an estimated liability that falls due under warranty terms offered on sale of new cars. The provision is calculated based on the past history of repairs.

2.19 Revenue from contract with customers

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods/services supplied, stated net of discounts, returns and value added taxes. Depending on the terms of the contract and the laws that apply to the contract, revenue may be recognised over time or at a point in time. The Group recognises revenue when specific criteria have been met for each of the Group's activities as described below.

2 Summary of significant accounting policies (Continued)

2.19 Revenue from contract with customers (Continued)

Revenue from sale of car spare parts/accessories and direct sale of motor vehicle are recognised upon transfer of control to customer which generally coincides with the time when car spare parts/accessories and motor vehicles are delivered and accepted by the customers. Payment of the transaction price is due immediately when the customer purchases the car spare parts/accessories and motor vehicle. Revenue excludes goods and services tax and motor vehicles registration fees and is arrived at after the deduction of trade discounts.

Revenue from sale of motor vehicle under finance lease arrangement and hire purchase arrangement are recognised upon transfer of control to customer which generally coincides with the time when the motor vehicles are delivered and accepted by the customers. The corresponding leased asset is recognised as finance lease receivable on the consolidated statement of financial position (Note 2.20(b)).

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and it should be presented separately. Incremental cost of obtaining a contract is capitalised if the Group expects to recover those costs, unless the amortisation period for such costs would be one year or less. Costs that will be incurred regardless of whether the contract is obtained are expensed as they are incurred. Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Vehicle salesperson's commission is recognised at the same point in time with the recognition of the sale of the related motor vehicle.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Rental income from leasing of motor vehicles is recognised on a straight-line basis in accordance with the terms of the operating leases.

Interest income from finance lease arrangement is recognised on a time-proportion basis using the effective interest method.

Finance and insurance commission income is recognised upon the effective commencement date of the customers' qualifying loan and insurance policies.

Service income is recognised upon rendering of services.

A contract liability is the Group's obligation to render the goods or services to a customer for which the Group has received consideration from the customer.

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all the Group's contracts have a duration of 1 year or less.

2 Summary of significant accounting policies (Continued)

2.19 Revenue from contract with customers (Continued)

The Group provides warranties for new motor vehicles. These warranties do not require services to be rendered but only an assurance that the motor vehicles meet agreed-upon specifications. These warranties are separately accounted for as disclosed in Note 2.18.

2.20 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Accounting policy applied before 1 January 2019

(a) When the Group is the lessee

Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Contingent rent are recognised as an expense in the period in which they are incurred.

Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the consolidated statement of financial position as property, plant and equipment and finance lease liabilities respectively at the inception of the leases at the lower of the fair values of the leased assets and the present values of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liabilities. The finance expense is recognised in consolidated statement of comprehensive income and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liabilities.

2 Summary of significant accounting policies (Continued)

2.20 Leases (Continued)

Accounting policy applied before 1 January 2019 (Continued)

(b) Where the Group is the lessor

Operating leases

Leases of leased assets where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in consolidated statement of comprehensive income on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in consolidated statement of comprehensive income over the lease term on the same basis as the lease income. Contingent rents are recognised as income in consolidated statement of comprehensive income when earned.

Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees are classified as finance leases. The Group will recognise an outright revenue (Note 2.19), arising from the leased assets, at a lower of the fair value or present value of the minimum lease payments computed at a market interest rate. The difference between the sale revenue and the cost of sale is the selling profit or loss.

The leased asset is derecognised and the present value of the lease receivable is recognised on the consolidated statement of financial position and included in finance lease receivables. The difference between the gross receivables and the present value of the lease receivables is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivables to reduce both the principal and the unearned finance income. The finance income is recognised in consolidated statement of comprehensive income on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

Initial direct costs incurred by the Group in negotiating and arranging finance leases is recognised in consolidated statement of comprehensive income in the financial period corresponding to the recognition of selling profit.

Finance lease receivables that are factored out to banks with recourse to the Group is not derecognised until the recourse period has expired and the risk and rewards of the finance lease receivables have been fully transferred. The corresponding cash received from the banks is recorded as block discounting financing that is classified under borrowings.

2 Summary of significant accounting policies (Continued)

2.20 Leases (Continued)

Accounting policy applied since 1 January 2019

(a) Assets leased to the Group

The Group leases various office premises and showrooms. Lease contracts are typically made for fixed periods of less than 1 year to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs

The right-of-use assets is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2 Summary of significant accounting policies (Continued)

2.20 Leases (Continued)

Accounting policy applied since 1 January 2019 (Continued)

(b) Assets leased out by the Group

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Where the Group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies.

2.21 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the consolidated financial statements are authorised for issue, are disclosed as a non-adjusting event and are not recognised as a liability at the end of the reporting period.

2 Summary of significant accounting policies (Continued)

2.23 Government grants

Grants from the government are recognised as receivables at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from foreign currency transactions. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar, Sterling pound ("GBP") and Japanese Yen ("JPY") and Hong Kong dollar ("HKD").

Should S$ be strengthened/weakened by 5% for the year ended 31 December 2019 against those currencies, with all other variables held constant, the impact of the profit for the year and the equity for the year ended 31 December 2019 would have been approximately S$250,000 (2018: S$34,000) lower/higher as a result of foreign exchange losses/gains.

The Group's exposure to other foreign exchange movements is not material.

(b) Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Details of the Group's borrowings have been disclosed in Note 20 to the consolidated financial statements.

The Group's interest-bearing asset comprises of finance lease receivables, which are at fixed rates and subject to fair value interest rate risk. Details of the Group's finance lease receivables have been disclosed in Note 18 to the consolidated financial statements.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Interest rate risk (Continued)

If the interest rates had been higher/lower by 100 basis points (2018: 100 basis points) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by S$224,000 (2018: S$201,000) as a result of higher/lower interest expense on these borrowings (net of financial lease receivables).

(c) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade and other receivables, finance lease receivables and amount due from a related party. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

For banks and financial institutions, only independent parties with high credit rating are accepted. As at 31 December 2019 and 2018, all bank balances were held at reputable financial institutions with sound credit ratings.

For the trade and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of trade and other receivables based on historical settlement records and past experience.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties and finance lease receivables. The Group has no significant concentration of credit risk and the Group has policies in place to ensure that sale of motor vehicles and parts are made to corporate customers with an appropriate credit history and finance lease arrangement is entered with credit worthy customers.

The Group has credit policy to monitor the level of credit risk. In general, the credit record and credit period for each customer or debtor are regularly assessed, based on the customer's or debtor's financial condition, their credit records and other factors such as current market condition. Management overall considers the shared credit risk characteristic and the days past due of the trade and other receivables to measure the expected credit loss. Management, considered among other factors (including forward looking information), analysed historical pattern and concluded that the expected credit loss for trade receivable due less than 1 year is close to zero and an expected credit loss rate of approximately 2% to 4% for trade receivable due after 1 year, the impact of the expected loss is assessed to be immaterial for the year ended 31 December 2019 and 2018.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

The Group will monitor debtors with long outstanding balances and will engage in enforcement activities to recover the receivables due. Where recoveries are made, these are recognised in consolidated statement of comprehensive income. The Group closely monitors trade receivables balances more than one year. Those trade receivables, due more than one year, with financial difficulties, declining credit standing and poor historical payment pattern will be considered as default. The Group will write off these unrecovered receivables after all possible means of debt recovery activities.

For customers who purchased the motor vehicles under finance lease arrangement, the Group has policies in place to review their credit worthiness and charged a market interest rate based on their credit worthiness. Management monitors the scheduled instalment pattern and credit worthiness of the customers closely. In the event, the Group notices the deterioration of credit worthiness and default settlement of 2 months contractual instalments, the Group will repossess the vehicle up for sale. Management, considered among other factors, analysed historical pattern and concluded that the expected credit loss for finance lease receivables to be immaterial. While historical default cases range from 0% to 3% of the total finance lease receivables balances, the expected credit loss rate is close to zero given that the Group has historically recovered all amount owing via the proceeds from the sale of vehicle and other legal means.

For amount due from a related party, the Group applies either a 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition then impairment is measured as lifetime expected credit losses. Management, considered among other factors, analysed historical pattern and concluded that the expected credit losses for amount due from a related party to be immaterial as the credit risk is assessed as low.

In determining the 12-month or lifetime expected credit loss for these receivables, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical payment experience and the corresponding historical credit loss rates, and adjusted for forward-looking macroeconomic data such as Singapore GDP growth, unemployment rate, salary trend etc. In assessing whether the credit risk on these receivables have increased significantly since initial recognition, the Group compares the risk of a default occurring on these receivables as at the reporting date with the risk of a default occurring on these receivables as at the date of initial recognition. Management would re-assess these factors periodically for any deterioration or improvement indications to determine if credit risk from these receivables has increase or decrease significantly since initial recognition and revise the credit loss rate accordingly.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) *Credit risk* (Continued)

Financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about events including but not limited to significant financial difficulty of the borrower or a breach of contract, such as a default or past due event.

(d) *Liquidity risk*

The Group's policy is to maintain sufficient cash to meet its liquidity and working capital requirements.

The Group monitors and maintains a level of cash balances deemed adequate by the management to finance the Group operations and mitigate the effects of fluctuation of cash flows.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises cash and bank balances (Note 17), borrowings (Note 20) and undrawn borrowing facilities (Note 20) on the basis of expected cash flows. As the Group relies on borrowings as a source of liquidity, the management monitors regularly and closely the utilisation of borrowings (drawn and undrawn) and ensures compliance with loan covenants. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms.

The table below analyses cash outflow of non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. Block discounting financing and hire purchase liabilities which can be recalled on demand at the bank's sole discretion are presented within "Repayable on demand", with the assumption that lenders invoked their unconditional rights to demand immediate repayment except as at 31 December 2019 and 2018 the Group had received confirmation letters from its major bank confirming waiver of its rights to demand immediate repayment of the certain block discounting financing granted to the Group for a period of 12 months from 31 December 2019 and 2018. The maturity analysis for other bank borrowings is prepared based on the contractual scheduled repayment dates. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

	Repayable on demand	Within 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	After 5 years S$'000	Total S$'000	Company Value S$'000
Group							
At 31 December 2019							
Block discounting financing	—	7,297	21,326	49	—	28,672	27,496
Lease liabilities	—	1,896	1,310	3,151	1,753	8,110	6,450
Hire purchase liabilities	7,831	—	—	—	—	7,831	7,831
Other borrowings	—	12,233	—	—	—	12,233	12,233
Trade and other payables	—	6,210	—	—	—	6,210	6,210
	7,831	27,636	22,636	3,200	1,753	63,056	60,220
At 31 December 2018							
Block discounting financing	—	6,855	20,172	96	8	27,131	25,588
Hire purchase liabilities	8,194	—	—	—	—	8,194	8,194
Other borrowings	—	17,555	—	—	—	17,555	17,555
Trade and other payables	—	8,738	—	—	—	8,738	8,738
Amount due to a shareholder	—	131	—	—	—	131	131
	8,194	33,279	20,172	96	8	61,749	60,206

3 Financial risk management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, comply with externally imposed capital requirements and maintain an optimal capital structure so as to maximise shareholder value. Management regards capital of the Group to comprise the total equity and net debt of the Group.

Vincar Pte Ltd, a subsidiary of the Company, is required by its principal banker to maintain a tangible net worth (i.e. paid up capital plus retained earnings) of S$15,000,000 (2018: S$10,000,000) as at 31 December 2019 (2018: 31 December 2018). Accordingly, the Group's strategy to capital management is to maintain its and its subsidiaries' equity within the stipulated requirements. As at 31 December 2019 and 2018, Vincar Pte Ltd meets all the covenants required by its principal banker.

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

There were no changes to the Group's approach to capital management as at 31 December 2019 and 2018.

	As at 31 December	
	2019	2018
	S$'000	S$'000
Borrowings (Note 20)	**54,010**	51,337
Less: Cash and bank balances (Note 17)	**(9,649)**	(7,855)
Net debt	**44,361**	43,482
Total equity	**44,152**	27,732
Total capital	**88,513**	71,214
Gearing ratio	**50%**	61%

3.3 Fair value estimation

The carrying values of the Group's financial assets and finance liabilities approximate to their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

3.4 Offsetting financial assets and financial liabilities

There were no material offsetting, enforceable master netting arrangement and similar agreements as at 31 December 2018 and 2019.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Net realisable value of inventories

As set out in accounting policy (note 2.11), motor vehicles held as inventories for sale are reviewed for their net realisable value periodically. Management determines the net realisable value of the motor vehicles by applying judgment and certain assumptions. Management evaluates, among other factors, the conditions of the motor vehicles, the prevailing Certificate of Entitlement quota and premium in the market, past sales performance of the respective models and future marketing strategies. Management will adjust the carrying amounts to the realisable values when they are different to those previously estimated net of cost for sales.

The carrying amounts of inventories as at 31 December 2018 and 2019 are disclosed in the consolidated statement of financial position.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for those motor vehicles used for short term operating leases based on the Group's intention to derive the future economic benefits from the expected level of usage of those motor vehicles over short term operating leases arrangement. Actual useful lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expenses in the future periods.

If the useful lives of those vehicles used for short term operating leases were to reduce by 50%, the depreciation expenses for the years ended 31 December 2019 and 2018 shall increase by approximately S$1,669,000 and S$1,016,000 respectively.

(c) Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of showrooms and offices, the following factors are normally the most relevant:

— If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).

4 Critical accounting estimates and judgements (Continued)

(c) Determination of the lease term (Continued)

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).

- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in showrooms and office leases have been included in the lease liability, because the Group would incur significant cost or business disruption to replace the assets and expect to fulfil the renewal terms and conditions.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

5 Revenue and segment information

The Executive Directors of the Company, who are the CODM of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the Executive Directors of the Company that are used to make strategic decisions.

Revenue, which is also the Group's turnover, represents amounts received and receivable from the operation in Singapore. An analysis of revenue is as follows:

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Sale of motor vehicles*	**177,524**	176,194
Motor vehicles financing related services		
— Finance commission income	**3,700**	3,812
Insurance commission income	**401**	418
Sale of spare parts and accessories	**33**	122
Revenue from contracts with customers under IFRS 15 recognised at point in time	**181,658**	180,546
Motor vehicles financing related services		
— Interest income from finance lease arrangements	**2,284**	2,077
Rental income from operating lease of motor vehicles	**3,029**	2,370
Revenue from operating and finance lease arrangement under IFRS 16/IAS 17	**5,313**	4,447
	186,971	184,993

* Include direct sale of motor vehicles and sale of motor vehicles under finance lease arrangements.

5 Revenue and segment information (Continued)

The Group has revenue related contract liabilities (receipts in advance from customers) as at the end of each of the year as disclosed in Note 19. Receipts in advance from customers as at the end of each of the year will be recognised as revenue in the next year of sales.

Segment revenue and results

	Sales of motor vehicles and provision of related services S$'000	Rental income from operating leases of motor vehicles S$'000	Sales of spare parts and accessories S$'000	Consolidated S$'000
For the year ended 31 December 2019				
Segment revenue				
Total sales	182,285	3,050	40	185,375
Inter-segment sales	(4,761)	(21)	(7)	(4,789)
External sales	177,524	3,029	33	180,586
Finance commission income	3,700	—	—	3,700
Insurance commission income	401	—	—	401
Interest income from finance lease arrangement	2,284	—	—	2,284
	183,909	3,029	33	186,971
Segment profit/(loss)	5,758	741	(10)	6,489
Finance expenses — net				(2,279)
Profit before income tax				4,210
Income tax expense				(1,204)
Profit for the year				3,006

5 Revenue and segment information (Continued)

Segment revenue and results (Continued)

	Sales of motor vehicles and provision of related services S$'000	Rental income from operating leases of motor vehicles S$'000	Sales of spare parts and accessories S$'000	Consolidated S$'000
For the year ended 31 December 2018				
Segment revenue				
Total sales	180,764	2,391	136	183,291
Inter-segment sales	(4,570)	(21)	(14)	(4,605)
External sales	176,194	2,370	122	178,686
Finance commission income	3,812	—	—	3,812
Insurance commission income	418	—	—	418
Interest income from finance lease arrangement	2,077	—	—	2,077
	182,501	2,370	122	184,993
Segment profit	9,834	909	9	10,752
Finance expenses — net				(1,677)
Profit before income tax				9,075
Income tax expense				(1,645)
Profit for the year				7,430

Inter-segment transactions are conducted at terms mutually agreed among group companies.

5 Revenue and segment information (Continued)

Segment assets and liabilities

	Sales of motor vehicles and provision of related services S$'000	Rental income from operating leases of motor vehicles S$'000	Sales of spare parts and accessories S$'000	Unallocated S$'000	Consolidated S$'000
As at 31 December 2019					
Segment assets	93,400	14,201	127	3,231	110,959
Segment liabilities	57,461	7,624	9	1,713	66,807
Capital expenditure	1,615	4,991	—	—	6,606
As at 31 December 2018					
Segment assets	88,513	11,715	102	131	100,461
Segment liabilities	62,322	8,402	3	2,002	72,729
Capital expenditure	1,627	4,420	—	—	6,047

Segment assets exclude deferred income tax assets and investment holding company assets. Segment liabilities exclude income tax liabilities. Capital expenditure comprises additions to property, plant and equipment.

Geographical information

Over 95% of revenue of the Group were generated from external customers located in Singapore and over 95% of the assets of the Group were located in Singapore. Accordingly, no geographical segment analysis is presented.

Major customers

None of single external customer accounted for more than 10% of the Group's revenue during the years ended 31 December 2019 and 2018.

6 Other income and gains, net

(a) Other income

	Year ended 31 December	
	2019 S$'000	2018 S$'000
Service income	—	6
Government grants	60	109
Income from deposit forfeiture	145	9
Handling fee income	183	131
Sale of workshop accessories	4	42
Freight charges	62	64
Others	42	103
	496	464

Government grants mainly arose from Wage Credit Scheme (WCS) and Special Employment Credit Scheme (SECS).

WCS was introduced by the Singapore government to help businesses which may face rising wage cost in a tight labour market. WCS payouts will allow businesses to free up resources to make investments in productivity and to share the productivity gains with their employees. WCS will be ended on 31 December 2020.

SECS was introduced by the Singapore government to support employers as well as to raise employability of older low-wage Singaporeans. SECS has ended on 31 December 2019.

(b) Other gains — net

	Year ended 31 December	
	2019 S$'000	2018 S$'000
Foreign exchange (losses)/gains	(182)	121
Gain/(loss) on disposal of property, plant and equipment (Note 23)	270	(7)
	88	114

7 Finance expenses — net

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Finance income		
Interest income on late payment	**17**	—

Interest income on late payment relates to interest imposed on a customer for late payment of its overdue balances.

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Finance expenses		
Bank overdrafts interest	**15**	11
Interest expenses on bank loans	**489**	468
Interest expenses on block discounting financing	**940**	879
Interest expenses on lease liabilities	**555**	—
Interest expenses on hire purchase liabilities	**297**	319
	2,296	1,677

8 Expenses by nature

Expenses included in cost of sales, selling and distribution, and general and administrative expenses are analysed as follows:

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Purchases and related costs	**163,015**	172,109
Changes in inventories	**1,457**	(9,728)
Reversal of provision for inventories write-down (Note 14)	**(51)**	(360)
Auditor's remunerations*		
— current year	**199**	50
— under-provision in prior years	**—**	32
Depreciation expense (Note 13)	**3,356**	1,688
Employee benefit expense (Note 9)	**7,041**	6,071
Rental expenses	**111**	1,408
Advertising and marketing expenses	**927**	405
Sales commission to external parties	**581**	302
Travelling and entertainment expenses	**260**	157
Pre-delivery inspection expenses	**368**	530
Listing expenses	**1,352**	1,016
Legal and professional fees	**823**	192
Bank charges	**467**	377
Forfeiture of trade deposit paid	**128**	19
Insurance	**120**	152
Office expenses	**217**	294
Donations	**95**	28
Other operating expenses	**548**	77
	181,014	174,819

* The amounts wholly relate to audit service.

9 Employee benefit expense (including directors' emoluments)

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Wages and salaries	**5,870**	5,013
Employer's contribution to defined contribution plans	**713**	586
Other staff benefits	**458**	472
	7,041	6,071

Directors' emoluments

The remuneration of the directors for each of the years ended 31 December 2019 and 2018 were as follows:

	Fees	**Salaries and allowances**	**Bonuses**	**Employer's contribution to Central Provident Fund**	**Total**
	S$'000	S$'000	S$'000	S$'000	S$'000
Year ended 31 December 2019					
Executive directors					
Mr. Tan Shuay Tarng Vincent	26	480	80	13	599
Mr. Khung Poh Sun	26	62	18	7	113
Ms. Ng Hui Bin Audrey	26	79	17	17	139
	78	621	115	37	851
Non-executive director					
Mr. Raymond Wong	26	—	—	—	26
Independent non-executive directors					
Mr. Chow Wing Tung	26	—	—	—	26
Mr. Hui Yan Kit	26	—	—	—	26
Mr. Tam Yat Kit Ken	26	—	—	—	26
	78	—	—	—	78

9 Employee benefit expense (including directors' emoluments) (Continued)

Directors' emoluments (Continued)

	Fees S$'000	Salaries and allowances S$'000	Bonuses S$'000	Employer's contribution to Central Provident Fund S$'000	Total S$'000
Year ended 31 December 2018					
Executive directors					
Mr. Tan Shuay Tarng Vincent	—	480	—	11	491
Mr. Khung Poh Sun	—	79	25	8	112
Ms. Ng Hui Bin Audrey	—	88	25	17	130
	—	647	50	36	733
Non-executive director					
Mr. Raymond Wong	—	—	—	—	—

Mr. Chow Wing Tung, Mr. Hui Yan Kit and Mr. Tam Yat Kin Ken were appointed as the Company's independent non-executive directors on 1 February 2019. During the year ended 31 December 2018, the independent non-executive directors had not been appointed and had not received any remuneration.

Mr. Raymond Wong was appointed as non-executive director on 12 January 2018.

(a) Director's retirement benefits

During the year ended 31 December 2019, the directors did not receive or will not receive any retirement benefits in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the year ended 31 December 2019 (2018: Nil).

(b) Director's termination benefits

The directors did not receive or will not receive any termination benefits during the year ended 31 December 2019 (2018: Nil).

(c) Consideration provided to third parties for making available director's services

During the year ended 31 December 2019, the Company did not pay consideration to any third parties for making available directors' services (2018: Nil).

9 Employee benefit expense (including directors' emoluments) (Continued)

Directors' emoluments (Continued)

(d) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

There are no loans, quasi-loans and other dealing arrangements in favour of directors, corporate bodies controlled by and entities connected with such directors during the year ended 31 December 2019 (2018: Nil).

During the current year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director for the year ended 31 December 2019 (2018: one), whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining four individuals for the year ended 31 December 2019 (2018: four) are as follows:

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Wages, salaries and allowances	**706**	649
Bonus	**7**	—
Employer's contribution to defined contribution plans	**69**	54
	782	703

The emoluments of the highest paid individuals fell within the following bands:

	Number of individuals Year ended 31 December	
	2019	2018
Emolument band		
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**3**	3
	4	4

During the current year, no remuneration was paid by the Group to the four highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

10 Income taxes

(a) Income tax expenses

Singapore statutory income tax has been provided at the rate of 17% on the estimated assessable profit during the year ended 31 December 2019 (2018: same).

The amounts of income tax expenses charged to the consolidated statement of comprehensive income represent:

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Singapore profits tax		
Current income tax	**912**	1,560
Under-provision in prior years	**320**	—
Deferred tax expenses (Note 10(c))	**(28)**	85
Total tax expenses for the years	**1,204**	1,645

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Singapore as follows:

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Profit before income tax	**4,210**	9,075
Tax at the statutory tax rate of 17% (2018: 17%)	**716**	1,543
Tax incentives	**(69)**	(81)
Under-provision of tax in prior financial years	**320**	—
Expenses not deductible for tax	**289**	215
Tax rebate	**(21)**	(10)
Others	**(31)**	(22)
Income tax expenses	**1,204**	1,645

10 Income taxes (Continued)

(b) Movement in current income tax liabilities

	As at 31 December	
	2019	2018
	S$'000	S$'000
Beginning of the year	**2,003**	2,647
Income tax paid	**(1,682)**	(2,204)
Income tax expense	**912**	1,560
Under-provision in prior years	**320**	—
End of the year	**1,553**	2,003

(c) Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets/(liabilities)

	Unrealised profit	Accelerated tax depreciation	Right of use assets	Lease liabilities	Provisions	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 January 2018	104	(44)	—	—	156	216
Charged to profit or loss (Note 10(a))	(14)	(50)	—	—	(21)	(85)
At 31 December 2018	90	(94)	—	—	135	131
Adoption of IFRS16 (Note 2.2)	—	—	(1,009)	1,009	—	—
(Credited)/charged to profit or loss (Note 10(a))	(67)	61	(65)	87	12	28
At 31 December 2019	23	(33)	(1,074)	1,096	147	159

11 Dividends

The Company has neither declared nor paid any dividends since its incorporation.

12 Basic and diluted earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2018 ad 2019.

	Year ended 31 December	
	2019	2018
Profit attributable to equity holders of the Company (S$'000)	**3,006**	7,430
Weight average number of ordinary shares in issue ('000)	**866,954**	695,000
Basic earnings per share in Singapore cents	**0.35**	1.07

In determining the weighted average number of ordinary shares, 695,000,000 shares of the Company, which resulted from the issue and allotment of 695,000,000 shares by the Company in connection with the reorganisation had been treated as if such shares were issued on 1 January 2018.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding for the years ended 31 December 2018 and 2019, and hence the diluted earnings per share is the same as basic earnings per share.

13 Property, plant and equipment

	Office equipment S$'000	Motor vehicles S$'000	Renovation S$'000	Computers and software S$'000	Leasehold properties S$'000	Right-of-use assets S$'000	Furniture and fittings S$'000	Total S$'000
Year ended 31 December 2019								
Opening net book amount	159	11,003	929	67	2,361	—	132	14,651
Adjustment for change in accounting policy (Note 2.2)	—	—	—	—	—	5,937	—	5,937
Restated opening net book amount	159	11,003	929	67	2,361	5,937	132	20,588
Additions	14	5,152	112	13	—	1,309	6	6,606
Disposals	—	(1,053)	—	—	—	—	—	(1,053)
Depreciation (Note 8)	(68)	(1,669)	(441)	(54)	(138)	(924)	(62)	(3,356)
Closing net booking amount	105	13,433	600	26	2,223	6,322	76	22,785
At 31 December 2019								
Cost	322	16,389	1,472	355	3,688	7,246	421	29,893
Accumulated depreciation	(217)	(2,956)	(872)	(329)	(1,465)	(924)	(345)	(7,108)
Net book amount	105	13,433	600	26	2,223	6,322	76	22,785

13 Property, plant and equipment (Continued)

	Office equipment S$'000	Motor vehicles S$'000	Renovation S$'000	Computers and software S$'000	Leasehold properties S$'000	Furniture and fittings S$'000	Total S$'000
Year ended 31 December 2018							
Opening net book amount	20	8,109	1	162	2,500	3	10,795
Additions	181	4,412	1,242	34	—	178	6,047
Disposals	—	(502)	(1)	—	—	—	(503)
Depreciation (Note 8)	(42)	(1,016)	(313)	(129)	(139)	(49)	(1,688)
Closing net booking amount	159	11,003	929	67	2,361	132	14,651
At 31 December 2018							
Cost	308	12,860	1,360	341	3,688	416	18,973
Accumulated depreciation	(149)	(1,857)	(431)	(274)	(1,327)	(284)	(4,322)
Net book amount	159	11,003	929	67	2,361	132	14,651

Depreciation expenses were charged to the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December 2019 S$'000	2018 S$'000
Cost of sales	**1,606**	938
General and administrative expenses	**1,750**	750
	3,356	1,688

Right-of-use assets

Amounts recognised in the consolidated statement of financial position

	31 December 2019 S$'000	1 January 2019 S$'000
Office spaces and show rooms	**6,322**	5,937

Additions to the right-of-use assets during the 31 December 2019 were S$1,309,000.

13 Property, plant and equipment (Continued)

Right-of-use assets (Continued)

Amount recognised in the consolidated statement of comprehensive income

	Note	31 December 2019 S$'000
Depreciation charge of right-of-use assets		
Office spaces and show rooms		924
Interest expense (included in finance expenses)	7	555
Expense relating to short-term leases	8	111

The total cash outflow for leases in 31 December 2019 was S$1,462,000 (including short term leases).

The Group leases various offices and showroom. Rental contracts are typically fixed period of 2 years to 8 years, but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenant other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in offices and showroom across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operation. The majority of extension and termination options held are exercisable only by the respective lessor.

The lease for certain office spaces and showrooms contains extensions periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

14 Inventories

These comprise mainly motor vehicles and they are pledged to secure floor inventory advances extended to the Group. Floor inventory advances are short-term, revolving credit lines. The Group enters into such arrangements with banks from time to time to pledge unsold motor vehicles inventories to the banks for obtaining floor inventory advances (Note 20 (a)). As at 31 December 2019, the carrying amount of motor vehicles amounting to S$26,105,180 (2018: S$27,500,143) were pledged for the floor inventory advances.

The cost of inventories recognised as expense and included in "cost of sales" amounted to S$93,623,350 for the year ended 31 December 2019 (2018: S$116,012,590), which included reversal of inventory write-down as disclosed in Note 8.

15 Trade and other receivables

	As at 31 December	
	2019	2018
	S$'000	S$'000
Current		
Trade receivables	**1,947**	5,233
Less: Provision for impairment of trade receivables — third parties	**(52)**	—
Trade receivables — net	**1,895**	5,233
Prepayments	**22,686**	17,344
Other receivables	**595**	567
Total	**25,176**	23,144

Trade receivables mainly include outstanding balances from customers arising from sale of motor vehicles and sale of spare parts and accessories. For the sale of motor vehicles, all customers are generally required to make payment at the point of transaction and no credit period is granted to these customers. The Group may, however, at times grant credit period to certain customers based on (i) size of order; (ii) the Group's relationship with the customers; and (iii) the Group's assessment of the reputation and credit worthiness of the customers and may impose interest on overdue balances.

Prepayments mainly include advances to various suppliers for purchase of inventory, prepayment for purchase of Certificates of Entitlement and prepayment for listing expenses.

As at 31 December 2019 and 2018, the ageing analysis of the trade receivables based on invoice date are as follows:

	As at 31 December	
	2019	2018
	S$'000	S$'000
Up to 3 months	**1,256**	5,040
3 to 4 months	**72**	11
4 months to 1 year	**442**	123
More than 1 year	**125**	59
	1,895	5,233

15 Trade and other receivables (Continued)

Movements in the provision for impairment of third parties receivables are as follows:

	As at 31 December	
	2019	2018
	S$'000	S$'000
As at 1 January	**—**	16
Provision for impairment of receivables	**52**	—
Bad debt written off	**—**	(16)
As at 31 December	**52**	—

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2019	2018
	S$'000	S$'000
Singapore Dollar ("SGD")	**24,821**	22,954
Hong Kong dollar ("HKD")	**342**	—
Sterling pound ("GBP")	**—**	177
Japanese Yen ("JPY")	**11**	11
Australian dollar ("AUD")	**2**	2
	25,176	23,144

16 Amounts due from/(to) related parties

(a) Amount due from a related party (Vincar Leasing Pte. Ltd.) and amount due to a shareholder (Mr. Vincent Tan) were denominated in Singapore dollar, non-trade related, unsecured, interest-free and repayable on demand. The carrying amounts of the amount due from a related party and amount due to a shareholder approximate their fair values.

(b) The maximum outstanding balances due from a related party during the year ended 31 December 2019 and 2018 are as follows:

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Amount due from a related party	**32**	22

17 Cash and bank balances

Cash and bank balances are denominated in the following currencies:

	As at 31 December	
	2019	2018
	S$'000	S$'000
SGD	**4,839**	7,227
HKD	**4,141**	2
USD	**18**	14
GBP	**246**	8
JPY	**405**	604
	9,649	7,855

18 Finance lease receivables

The Group sells motor vehicles to third parties under finance leases arrangements. The weighted-average effective interest rate of the finance lease receivables as at 31 December 2019 and 2018 is 6.37% and 6.35% per annum, respectively.

At 31 December 2019 and 2018, the Group has receivables under finance lease as follows:

	Gross receivable	**Unearned finance income**	**Net investment in finance lease receivables**
	S$'000	S$'000	S$'000
As at 31 December 2019			
Within 1 year	7,624	1,634	5,990
After 1 year but within 5 years	21,367	2,647	18,720
After 5 years	2,496	126	2,370
	31,487	4,407	27,080

	Gross receivable	**Unearned finance income**	**Net investment in finance lease receivables**
	S$'000	S$'000	S$'000
As at 31 December 2018			
Within 1 year	7,615	1,557	6,058
After 1 year but within 5 years	20,997	2,745	18,252
After 5 years	2,954	122	2,832
	31,566	4,424	27,142

18 Finance lease receivables (Continued)

As at 31 December 2019 and 2018, the block discounting financing (Note 20(c)) were secured by the finance lease receivables.

19 Trade and other payables and provision for warranty

	As at 31 December	
	2019	2018
	S$'000	S$'000
Trade payables (Note a)	**3,686**	5,503
Other payables	**1,397**	226
Contract liabilities	**4,795**	10,250
Accrued operating expenses	**1,127**	3,009
Provision for warranty (Note b)	**239**	270
	11,244	19,258

(a) Trade payables

An ageing analysis of the trade payables as at 31 December 2018 and 2019, based on the invoice date, is as follows:

	As at 31 December	
	2019	2018
	S$'000	S$'000
Within 1 month	**2,466**	5,411
1 to 4 months	**361**	61
4 months to 1 year	**567**	25
More than 1 year	**292**	6
	3,686	5,503

Trade payables are unsecured and non-interest bearing. These trade payables do not have any credit terms in general, however, the Group is able to negotiate to extend the repayment period with the suppliers based on mutual agreement.

19 Trade and other payables and provision for warranty (Continued)

(b) Provision for warranty

Movement in provision for warranty is as follows:

	As at 31 December	
	2019	2018
	S$'000	S$'000
As at 1 January	**270**	131
(Reversal of provision)/provision for the year	**(8)**	263
Provision utilised	**(23)**	(124)
As at 31 December	**239**	270

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at 31 December	
	2019	2018
	S$'000	S$'000
SGD	**11,084**	19,252
HKD	**160**	—
JPY	**—**	6
	11,244	19,258

The carrying amounts of the trade and other payables approximate to their fair values.

20 Borrowings

	As at 31 December	
	2019	2018
	S$'000	S$'000
Non-current		
Block discounting financing (Note c)	**20,736**	19,702
Lease liabilities (Note 2.2)	**5,425**	—
	26,161	19,702
Current		
Floor inventory advances (Note a)	**713**	4,307
Trust receipts (Note b)	**11,520**	12,472
Block discounting financing (Note c)	**6,760**	5,886
Lease liabilities (Note 2.2)	**1,025**	—
Hire purchase liabilities (Note d)	**7,831**	8,194
Bank overdrafts (Note e)	**—**	776
	27,849	31,635
	54,010	51,337

Notes:

(a) Floor inventory advances were secured by certain inventories (Note 14) and personal guarantee by the executive director of the Group, Mr. Vincent Tan. The personal guarantee has been released and replaced by corporate guarantee during 2019.

(b) Trust receipts financing were secured by personal guarantee by the executive director of the Group, Mr. Vincent Tan. The personal guarantee has been released and replaced by corporate guarantee during 2019.

(c) Block discounting financing were secured by finance lease receivables (Note 18) and personal guarantee by the executive director of the Group, Mr. Vincent Tan. The personal guarantee has been released and replaced by corporate guarantee during 2019. Block discounting financing contains a repayable on demand clause. However, the Group had received confirmation letters from its major bank confirming that it waived its rights to demand immediate repayment of the certain block discounting financing granted for a period of 12 months from 31 December 2019 and 2018. Therefore, the Group classified certain portion of the block discounting as at 31 December 2018 and 2019 as non-current.

(d) Hire purchase liabilities of S$7,831,000 (2018: S$8,194,000) were secured by motor vehicles (Note 13) and corporate guarantee by the Company. Although the Group was contractually required to make periodic instalments over several years, the Group presented certain hire purchase liabilities as current given that these arrangements contained repayable on demand clauses.

(e) Bank overdrafts are solely denominated in Singapore dollar. The bank overdrafts were secured by personal guarantee by the executive director of the Group, Mr. Vincent Tan for the year ended 31 December 2018. The personal guarantee has been released during 2019.

20 Borrowings (Continued)

The average effective interest rate per annum as at 31 December 2018 and 2019 were set out as follows:

	As at 31 December	
	2019	2018
	S$'000	S$'000
	%	%
Floor inventory advances	**4.5**	4.5
Trust receipts	**4.0**	3.8
Block discounting financing	**3.6**	3.6
Lease liabilities	**5.0**	—
Hire purchase liabilities	**3.4**	3.6
Bank overdrafts	**—**	5.0

The expected contractual undiscounted cash outflows of borrowings, including interest payments and excluding the impact of netting agreement is disclosed in note 3.1(d).

The carrying amounts of the Group's borrowing are denominated in S$ and approximate to their fair value.

As at 31 December 2019 and 2018, the Group has unutilised committed banking facilities of approximately S$4,740,455 and S$6,389,065 respectively.

21 Share capital

	Number of ordinary shares	Nominal value of ordinary shares S$'000
Authorised:		
As at 1 January 2019	38,000,000	67
Increase in authorised share capital (Note (a))	9,962,000,000	17,140
Aa at 31 December 2019	10,000,000,000	17,207
Issued and fully paid:		
Ordinary shares		
As at 1 January 2018, 31 December 2018 and 1 January 2019	1	*
Issuance of shares during reorganisation (Note (b))	99	*
Share capitalisation (Note (c))	694,999,900	1,197
Issuance of shares pursuant to the Share Offer (Note (d))	205,000,000	353
At 31 December 2019	900,000,000	1,550

* Amount below S$1,000

(a) On 1 February 2019, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each by the creation of an additional 9,962,000,000 shares of HK$0.01 each.

(b) On 1 February 2019, pursuant to the sale and purchase agreement entered into among Gatehouse Ventures, Gifted Ally Limited ("Gifted Ally") and the Company for the transfer of all the issued shares of Solution Lion Limited from Gatehouse Ventures and Gifted Ally to the Company in consideration of (a) the Company allotting and issuing 89 shares and 10 shares to Gatehouse Ventures and Gifted Ally, respectively, all credited as fully paid; and (b) the initial share held by Gatehouse Ventures being credited as fully paid.

(c) Pursuant to the written resolutions of the Company's shareholders passed on 1 February 2019, 694,999,900 ordinary shares of HK$0.01 each were issued at par value by way of capitalisation of HK$6,949,999 (equivalent to approximately S$1,197,000) from the Company's share premium account.

21 Share capital (Continued)

(d) On 28 February 2019, in connection with the Listing, the Company issued 205,000,000 shares at a price of HK$0.43 per share for a total of HK$88,150,000 (equivalent to approximately S$15,182,000), which the pursuant to the share offer of HKD$0.01 per share for a total of HK$2,050,000 (equivalent to approximately S$353,000) and share premium a total of HK$86,100,000 (equivalent to approximately S$14,829,000). Share issuance expenses for a total of HK8,981,000 (equivalent to approximately S$1,768,000) was incurred.

(e) Capital reserve represented the combined share capital of Vincar Pte. Ltd., Vincar Leasing and Rental Pte. Ltd. and Autoart Motorsports Pte. Ltd. before Reorganisation.

22 Related party transactions

(a) Transactions with related parties

During the year ended 31 December 2019, the related parties that had transactions with the Group were as follows:

Name of related parties	**Relationships with the Group**
Beng Lee Ser, Marisa	Spouse of the ultimate controlling party of the Group, Mr. Vincent Tan.
Vincar Assets Pte. Ltd.	Company which Mr. Vincent Tan has significant influence in.
Autumn Silver Investments Ltd.	Company which Beng Lee Ser, Marisa has significant influence in.
Victoria Land Limited	Company which Beng Lee Ser, Marisa has significant influence in.
Wealth Assets Pte. Ltd.	Company which Vincar Assets Pte. Ltd. has non-controlling shareholding.
Ng Hui Bin Audrey	Executive Director and the sister-in-law of the ultimate controlling party of the Group, Mr. Vincent Tan.

22 Related party transactions (Continued)

(a) Transactions with related parties (Continued)

In addition to those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties:

	Year ended 31 December	
	2019	2018
Transactions	**S$'000**	S$'000
Rental expenses charged by related parties		
— Autumn Silver Investments Ltd	**(60)**	(60)
— Victoria Land Limited	**(84)**	(84)
— Wealth Asset Pte. Ltd	**(844)**	(780)
— Mr. Vincent Tan & Beng Lee Ser. Marisa	**(96)**	(96)
	(1,084)	(1,020)
Payments on behalf of related parties		
— Beng Lee Ser, Marisa	**5**	2
— Ng Hui Bin Audrey's spouse	**—**	1
	5	3

Parties are considered to be related to the Group if the key management personnel or shareholders of the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions.

(b) Key management compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors of the Group are considered as key management personnel of the Group.

Compensation of key management personnel of the Group, including directors' remuneration, is disclosed in Note 9 to the consolidated financial statements.

23 Notes to the consolidated statement of cash flows

(a) In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Net carrying amount (Note 13)	**1,053**	503
Gain/(loss) on disposal of property, plant and equipment (Note 6(b))	**270**	(7)
Proceeds from disposal of property, plant and equipment	**1,323**	496

(b) Cash flow information — financing activities

This section sets out the reconciliation of liabilities arising from financing activities for the years ended 31 December 2018 and 2019.

	Block discounting financing and hire purchase liabilities	Interest payable	Bank borrowings (exclude bank overdrafts)	Lease liabilities	Amount due to a shareholder	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
As at 1 January 2018	31,323	—	8,491	—	3,027	42,841
Non-cash movements	—	1,677	—	—	—	1,677
Cash flow	2,459	(1,677)	8,288	—	(2,896)	6,174
As at 31 December 2018	33,782	—	16,779	—	131	50,692
As at 1 January 2019	33,782	—	16,779	—	131	50,692
Non-cash movements						
— Interest expense	—	1,741	—	555	—	2,296
— Adoption of IFRS 16	—	—	—	5,937	—	5,937
— Addition new lease	—	—	—	1,309	—	1,309
Cash flow	1,545	(1,741)	(4,546)	(1,351)	(131)	(6,224)
As at 31 December 2019	35,327	—	12,233	6,450	—	54,010

24 Investment in subsidiaries/Amount due from a subsidiary

	As at 31 December	
	2019 S$'000	2018 S$'000
Investment in subsidiaries — at cost, unlisted (Note (a))	2,294	—

Details of subsidiaries as follows:

Name of subsidiaries	Date of incorporation	Country of operation/ incorporation	Principal activities	Issued and paid up capital	Effective interest held As at 31 December 2018	2019
Directly held by the Company						
Solution Lion Limited	12 May 2017	British Virgin Islands	Investment holding company	S$2,293,707	100%	100%
Indirectly held by the Company						
Vincar Pte. Ltd.	18 December 2003	Singapore	Sale of parallel-import motor vehicles and pre-owned motor vehicles and provision of motor vehicle financing services and motor insurance agency services	S$1,000,000	100%	100%
Vincar Leasing and Rental Pte. Ltd.	23 May 2014	Singapore	Leasing of motor vehicles	S$100,000	100%	100%
Autoart Motorsports Pte. Ltd.	23 November 2015	Singapore	Sale of spare parts and accessories	S$100,000	100%	100%

	As at 31 December	
	2019 S$'000	2018 S$'000
Amounts due from subsidiary (Note (b))	7,074	*

Notes:

a. It represented the aggregate fair value of the subsidiaries acquired pursuant to the Reorganisation, which was recorded as deemed investment costs.

b. The amount due from a subsidiary is denominated in HK$, unsecured, interest-free and repayable on demand.

* Amount below S$1,000

25 Commitments

(a) Lease commitments — as lessee

The future minimum lease rentals payable under non-cancellable short-term leases of the Group as at 31 December 2019 (2018: non-cancellable operating leases) were as follows. From 1 January 2019, the Group has recognised rights-of-use assets for these leases (Note 2.2), except for short-term leases (Note 8).

	As at 31 December	
	2019	2018
	S$'000	S$'000
Within 1 year	**—**	1,170
After 1 year but within 5 years	**—**	1,067
	—	2,237

(b) Operating lease commitments — as lessor

The future minimum rentals receivable under non-cancellable operating leases of motor vehicles of the Group as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019	2018
	S$'000	S$'000
Within 1 year	**1,735**	1,769
After 1 year but within 5 years	**1,260**	1,696
After 5 years	**101**	13
	3,096	3,478

26 Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2019 and 2018.

27 Financial instruments by category

The categories of financial instruments as at the end of the financial year are as follows:

	As at 31 December	
	2019	2018
	S$'000	S$'000
Financial assets at amortised costs		
Trade and other receivables (excluding prepayments)	**2,490**	5,800
Amount due from a related party	**—**	22
Cash and bank balances	**9,649**	7,855
Financial liabilities at amortised costs		
Borrowings	**(54,010)**	(51,337)
Trade and other payables (excluding non-financial liabilities)	**(6,210)**	(8,738)
Amount due to a shareholder	**—**	(131)

The carrying amounts of current financial assets and current financial liabilities approximate their fair values due to their short-term nature.

The fair values of finance lease receivables and lease liabilities, as computed based on cash flows discounted at the expected market borrowing rates, approximate the carrying amounts stated in the consolidated financial statements.

28 Subsequent event

Since January 2020, Singapore has reported certain confirmed cases of Novel Coronavirus ("COVID 19") which may affect the usual business environment of the country as a whole. Pending development of such subsequent non-adjusting event, the Group's financial results may be affected, the extent of which could not be estimated as at the date of this annual report.

Financial Summary

RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue	**186,971**	184,993	204,898	144,375	119,411
Gross profit	**20,944**	22,034	22,055	15,152	13,062
Profit before income tax	**4,210**	9,075	9,795	5,671	5,467
Profit and total comprehensive income for the year	**3,006**	7,430	7,996	4,636	4,586

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2018	2017	2016	2015
	S$'000	S$'000	S$'000	S$'000	S$'000
Total assets	**110,959**	100,461	80,412	72,780	62,791
Total liabilities	**66,807**	72,729	60,110	59,768	48,915
Total equity	**44,152**	27,732	20,302	13,012	13,876