

冠 轆 控 股 有 限 公 司

GUAN CHAO HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1872

2020



ANNUAL REPORT

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Tan Shuay Tarnq Vincent
(Chairman and Chief Executive Officer)
Ms. Ng Hui Bin Audrey
Ms. Beng Lee Ser Marisa
(appointed on 6 July 2020)
Mr. Khung Poh Sun
(resigned on 6 July 2020)

NON-EXECUTIVE DIRECTOR

Mr. Raymond Wong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Wing Tung
Mr. Hui Yan Kit
Mr. Tam Yat Kin Ken

AUDIT COMMITTEE

Mr. Chow Wing Tung *(Chairman)*
Mr. Hui Yan Kit
Mr. Tam Yat Kin Ken

REMUNERATION COMMITTEE

Mr. Hui Yan Kit *(Chairman)*
Mr. Chow Wing Tung
Mr. Tam Yat Kin Ken

NOMINATION COMMITTEE

Mr. Tam Yat Kin Ken *(Chairman)*
Mr. Chow Wing Tung
Mr. Hui Yan Kit

COMPLIANCE OFFICER

Mr. Tan Shuay Tarnq Vincent

COMPANY SECRETARY

Mr. Lui Wai Sing

AUTHORISED REPRESENTATIVES

Mr. Tan Shuay Tarnq 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
12/F, Woon Lee Commercial Building
7-9 Austin Avenue
Tsim Sha Tsui
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

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

Corporate Information

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 2020 ("FY2020").

PERFORMANCE REVIEW

The Group's revenue decreased by approximately S\$26.1 million from approximately S\$187.0 million for the year ended 31 December 2019 ("FY2019") to approximately S\$160.9 million for FY2020. The decrease in revenue was primarily attributable to the decrease in sales of motor vehicles amounted to approximately S\$26.0 million mainly because the Group's showrooms were temporarily closed in the second quarter of FY2020 due to the circuit breaker measures implemented by the Singapore government in response to the novel coronavirus (COVID-19) pandemic in the country. The Group's gross profit decreased by approximately S\$2.5 million from approximately S\$20.9 million for FY2019 to approximately S\$18.4 million for FY2020, which was mainly attributable to the decrease in the gross profit of sales of motor vehicles business. The overall gross profit margin remained stable at approximately 11.2% for FY2019 and 11.4% for FY2020.

The Group recorded a profit and total comprehensive income of approximately S\$3.3 million for FY2020 as compared to a profit and total comprehensive income of approximately S\$3.0 million for FY2019. Such increase was primarily due to the (i) increase in other income by approximately S\$0.6 million; (ii) decrease in selling and distribution costs of approximately S\$1.0 million; (iii) decrease in general and administrative expenses of approximately S\$0.5 million; (iv) decrease in finance expenses of approximately S\$0.2 million; (v) decrease in income tax expense of approximately S\$0.3 million and offset by the decrease in gross profit by approximately S\$2.5 million.

OUTLOOK

Besides the impact from the COVID-19, the sales of motor vehicles have been also affected by the policies of the Singapore government to limit and tighten the Certificate of Entitlement quota by only replacing the number of deregistered motor vehicles since 2019 and such downward trend is expected to continue in coming years.

Looking forward to 2021, COVID-19 will continue to rage globally and there are still many uncertainties in the road of global recovery even though various countries have started the vaccination against the COVID-19. In addition, the Sino-U.S. relation is still not optimistic, and the global economic environment will become more complicated and severe. As such, the Group is expected to be faced with challenges in its operation in the foreseeable future.

The Group will continue to exercise cost control, uphold quality service to customers and maintain good relationships with suppliers. At the same time, The Group will adopt a cautious approach in the upcoming year and will continue to focus on strengthening its position in the sales of motor vehicles business in Singapore and increasing its market share.

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, 31 March 2021

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.

In 2020, Singapore's economy has been dampened mainly by the tension of Sino-U.S. relations as well as the outbreak of COVID-19 which affected the general consumer's purchasing sentiments. Due to the safe distancing measures implemented by the Ministry of Health of Singapore to curb further spread of COVID-19, the Group's showrooms were temporarily closed during the period from 7 April 2020 to 18 June 2020 (both days inclusive). As a result of the challenging operating environment, the sales generated from the Business for FY2020 dropped as compared with corresponding period of 2019. During FY2020, the Group sold 1,210 and 501 units of new motor vehicles and pre-owned motor vehicles, respectively, representing a decrease of approximately 25.7% and 17.3%, respectively, as compared with 1,628 and 606 units of new motor vehicles and pre-owned motor vehicles sold, respectively, for FY2019.

Business Outlook

The impact brought about by the outbreak of COVID-19 remains uncertain and may continue to pose a challenge on the Group's business and financial performance going forward. The management of the Group will continue to use its best endeavour to adopt appropriate business strategies by exercising effective cost control, upholding quality service to customers and maintaining good relationships with major suppliers and to strengthen its market position as the leading parallel-import dealer in Singapore.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately S\$26.1 million or 14.0% from approximately S\$187.0 million for FY2019 to approximately S\$160.9 million for FY2020, which was mainly attributable to the decrease in sales of motor vehicles amounted to approximately S\$26.0 million or 14.6%.

Sales of motor vehicles

The sales of motor vehicles decreased by approximately S\$26.0 million or 14.6% which was mainly attributable to the decrease in sales of new motor vehicles by approximately S\$22.9 million or 15.0%. The decrease in sales of new motor vehicles was mainly due to the decrease in units of motor vehicles sold by 418 units from 1,628 units for FY2019 to 1,210 units for FY2020, despite the increase in average selling price of new motor vehicles sold for FY2020 as compared with FY2019, from approximately S\$93,000 for FY2019 to approximately S\$107,000 for FY2020.

The sales of pre-owned motor vehicles decreased by approximately S\$3.2 million or 12.3%, which was mainly due to the decrease in the units of motor vehicles sold by 105 units for FY2020.

Management Discussion and Analysis

Motor vehicle financing services

The Group's revenue from motor vehicle financing services remained stable at approximately S\$6.0 million and S\$6.0 million for FY2019 and FY2020 respectively. 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 FY2019 and FY2020 which amounted to approximately S\$0.4 million and S\$0.6 million, respectively.

Leasing of motor vehicles

The income from leasing of motor vehicles decreased by approximately S\$0.3 million or 10.0% from approximately S\$3.0 million for FY2019 to approximately S\$2.7 million for FY2020. The decrease was mainly due to special discount given to customers during the outbreak of COVID-19. The Group's number of motor vehicles being rented to customers was 114 units and 132 units as at 31 December 2019 and 2020, respectively.

Sales of spare parts and accessories

The income from sales of spare part and accessories decreased by approximately S\$33,000 or 100.0% from approximately S\$33,000 for FY2019 to nil for FY2020.

Cost of sales

The Group's cost of sales decreased by approximately S\$23.5 million or 14.2% from approximately S\$166.0 million for FY2019 to approximately S\$142.5 million for FY2020. The decrease was mainly due to the decrease in cost of motor vehicles (and related costs) sold in FY2020.

For FY2020, the cost of motor vehicles (and related costs) sold decreased by approximately S\$23.5 million or 14.4% from approximately S\$163.7 million for FY2019 to approximately S\$140.2 million for FY2020 and was in line with the decrease in sales of motor vehicles.

Gross profit and gross profit margin

As a result of the foregoing, the Group's total gross profit decreased by approximately S\$2.5 million or 12.0% from approximately S\$20.9 million for FY2019 to approximately S\$18.4 million for FY2020, which was mainly attributable to the decrease in the gross profit from sales of motor vehicles business. The overall gross profit margin remained stable at approximately 11.2% for FY2019 and approximately 11.4% for FY2020.

Management Discussion and Analysis

Sales of motor vehicles

The Group's gross profit from sales of motor vehicles decreased by approximately S\$2.5 million, or 18.1% from approximately S\$13.8 million for FY2019 to approximately S\$11.3 million for FY2020, and the Group's gross profit margin for sales of motor vehicles was approximately 7.8% for FY2019 and approximately 7.5% for FY2020. 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 2020.

Motor vehicle financing services

The net interest spread for FY2019 and FY2020 remained stable at approximately 4.8% and 4.7%, respectively.

Leasing of motor vehicles

The Group's gross profit from leasing of motor vehicles decreased by approximately S\$0.2 million or 28.6%, from approximately S\$0.7 million for FY2019 to approximately S\$0.5 million for FY2020, with the Group's gross profit margin from leasing of motor vehicles decreased from approximately 25.2% for FY2019 to 16.8% for FY2020. Such decrease in gross profit margin was mainly due to the revenue from leasing of motor vehicle had decreased by approximately S\$0.3 million or 10.0%, while the costs of leasing of motor vehicles remained stable at approximately S\$2.3 million and S\$2.3 million for FY2019 and FY2020 respectively.

Sales of spare parts and accessories

The Group's gross profit from sales of spare parts and accessories decreased by approximately S\$5,000 or 100.0%, from approximately S\$5,000 for FY2019 to nil for FY2020, while the Group's gross profit margin from sales of spare parts and accessories decreased from approximately 15.2% for FY2019 to nil for FY2020.

Other income

The Group's other income increased by approximately S\$0.6 million or 120.0% from approximately S\$0.5 million for FY2019 to approximately S\$1.1 million for FY2020. The increase was mainly due to the increase of government grants by approximately S\$0.8 million under Job Support Scheme ("JSS") which is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises to retain local employees.

Other gains, net

The Group's other gains, net increased by approximately S\$0.2 million or 200.0% from approximately S\$0.1 million for FY2019 to approximately S\$0.3 million for FY2020 which was mainly due to the combination effect of (i) foreign exchange losses of approximately S\$0.2 million for FY2019 to foreign exchange gains of approximately S\$0.4 million for FY2020; and (ii) the disposal of property, plant and equipment recorded from gain of approximately S\$0.3 million for FY2019 to loss of approximately S\$0.1 million for FY2020.

Management Discussion and Analysis

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately S\$1.0 million or 20.0% from approximately S\$5.0 million for FY2019 to approximately S\$4.0 million for FY2020. The decrease was mainly due to the decrease in advertising and marketing expenses and sales commission to external parties and salespersons for FY2020.

General and administrative expenses

The Group's general and administrative expense decreased by approximately S\$0.5 million or 5.1% from approximately S\$9.9 million for FY2019 to approximately S\$9.4 million for FY2020. The decrease was mainly attributable to the decrease of legal and professional fees and travelling and entertainment expenses and bank charges for FY2020. In addition, in preparation of the listing on the Main Board of the Stock Exchange (the "Listing") by way of public offer and the placing (collectively, the "Share Offer") on 28 February 2019 (the "Listing Date"), the Group incurred Listing expenses of approximately S\$1.4 million for FY2019, while it was nil for FY2020, as offset by the equity-settled share-based payments of approximately S\$1.4 million for FY2020.

Finance income and finance expenses

Finance income represents bank interest income. The Group had minimal finance income for FY2020.

The Group's finance expenses remained stable at approximately S\$2.3 million and S\$2.1 million for FY2019 and FY2020 respectively.

Income tax expense

The Group's income tax expense decreased by approximately S\$0.3 million or 25.0% from approximately S\$1.2 million for FY2019 to approximately S\$0.9 million for FY2020, which was mainly due to an under-provision of income tax in prior years for FY2019 of approximately S\$0.3 million.

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 increased by approximately S\$0.3 million or 10.0% from approximately S\$3.0 million for FY2019 to approximately S\$3.3 million for FY2020 and the Group's net profit margin increased from approximately 1.6% for FY2019 to approximately 2.0% for FY2020. Such increase in profit for FY2020 was primarily due to the (i) increase in other income by approximately S\$0.6 million; (ii) decrease in selling and distribution costs of approximately S\$1.0 million; (iii) decrease in general and administrative expenses of approximately S\$0.5 million; (iv) decrease in finance expenses of approximately S\$0.2 million; (v) decrease in income tax expense of approximately S\$0.3 million and offset by the decrease in gross profit by approximately S\$2.5 million.

Management Discussion and Analysis

Other Financial Information (Non-IFRS measures)

To supplement the consolidated financial statements presented in accordance with IFRS, the Company also uses non-IFRS measures, namely EBITDA and adjusted EBITDA, as an additional financial measure, which are not required by or presented in accordance with IFRS. The Company believes that such non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of the operating performance. The Company believes that such measures provide useful information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as it helps the management. However, the presentation of EBITDA and adjusted EBITDA may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Company's results of operations or financial conditions as reported under IFRS.

| | For the year ended 31 December | |
|---|--------------------------------|---------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| Reconciliation of operating profit to EBITDA and adjusted EBITDA: | | |
| Operating profit | 6,165 | 6,489 |
| Add: | | |
| Depreciation | 3,345 | 3,356 |
| EBIDTA | 9,510 | 9,845 |
| Add: | | |
| Equity-settled share-based payments | 1,440 | — |
| Listing expenses | — | 1,352 |
| Less: | | |
| Government grants under JSS | (809) | — |
| Adjusted EBITDA | 10,141 | 11,197 |

CAPITAL STRUCTURE

As at 31 December 2020, the capital structure of the Group consisted of borrowings and equity of the Group, comprising share capital, share premium, capital reserve, share based payment reserve and retained earnings.

LIQUIDITY AND FINANCIAL RESOURCES

During FY2020, 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 loans, floor inventory advances, trust receipts, block discounting, lease liabilities, hire purchase liabilities and term loan, etc.

Management Discussion and Analysis

LIQUIDITY RATIOS

As at 31 December 2020, the Group had cash and bank balances of approximately S\$6.8 million (2019: approximately S\$9.6 million). The Group's current ratio, debt to equity ratio and gearing ratio ratios are as follows:

| | As at 31 December | |
|----------------------|-------------------|--------|
| | 2020 | 2019 |
| Current ratio | 2.1 | 1.6 |
| Debt to equity ratio | 100.4% | 122.3% |
| Gearing ratio | 46.4% | 50.1% |

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 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 2020, the Group had borrowings of approximately S\$49.0 million (2019: approximately S\$54.0 million). Certain borrowings were secured by certain inventories, motor vehicles, finance lease receivables and corporate guarantee provide by the Company as disclosed in note 19 to the consolidated financial information of this annual report.

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 FY2020, the capital expenditures amounted to approximately S\$2.7 million which was used for the purchases of property, plant and equipment in Singapore (2019: approximately S\$6.6 million). The Group finances its capital expenditures primarily through cash generated from operating activities and bank borrowings.

As at 31 December 2020, the Group did not have material capital commitments.

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 2020.

Management Discussion and Analysis

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 Sterling pound, Japanese yen and Hong Kong dollars. The Group's exposure to other foreign exchange movements is not material. No hedging activities had been made by the Group during the year ended 31 December 2020.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2020 (2019: nil).

EMPLOYEE, EMPLOYEE REMUNERATION AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of 79 employees (2019: 76 employees), not including the Directors. Employee benefit expense of approximately S\$7.9 million incurred for the year ended 31 December 2020 (2019: S\$7.0 million).

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") and the plan for setting up the motor vehicle workshop as disclosed in the section headed "Use of Proceeds" of this annual report, the Group did not have plans for material investments and capital assets as at 31 December 2020.

Management Discussion and Analysis

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 2020:

| | Approximate percentage of total amounts | Actual Net Proceeds HK\$'000 | Planned utilised amounts as at 31 December 2020 HK\$'000 | Utilised amounts as at 31 December 2020 HK\$'000 | Unutilised amounts as at 31 December 2020 HK\$'000 |
|--|--|------------------------------------|--|---|---|
| Expanding the scale of the Group's motor vehicle hire purchase financing business | 45.8% | 24,230 | 24,230 | 24,230 | — |
| Expanding the scale of the Group's pre-owned motor vehicle sales business | 30.2% | 15,974 | 15,974 | 15,974 | — |
| 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 | 4,062 | 4,062 | — |
| Working capital | 5.9% | 3,148 | 3,148 | 3,148 | — |
| Total | 100% | 52,913 | 52,913 | 47,414 | 5,499 |

The reason for the under-utilisation of the Net Proceeds was caused by the delay of setting up a motor vehicle workshop. As set out in the annual report of the Group for the year ended 31 December 2019, it was intended that the Group will set up its own motor vehicle workshop and utilise the remaining proceeds of approximately HK\$5.5 million by 2020. As Singapore's economy has been severely affected by the outbreak of COVID-19 since the 1st quarter of 2020, the Directors were prudent for the business expansion and that the plan for setting up the motor vehicle workshop has been further delayed to 2021.

Biographies of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Tan Shuay Tarn Vincent (陳率堂先生) (formerly named as “Tan Swee Poh Vincent 陳瑞寶” (“Mr. Vincent Tan”)), aged 57, 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, an executive Director of the Company, who is the step-sister of Ms. Ng Hui Bin Audrey, an executive Director of the Company. In addition, he is a director of Gatehouse Ventures Limited, a controlling shareholder of the Company.

Ms. Ng Hui Bin Audrey (黃慧敏女士) (“Ms. Ng”), aged 45, 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 Mrs. Marisa Tan, who is the executive Director of the Company and the spouse of Mr. Vincent Tan, the Chairman and an executive Director of the Company.

Ms. Beng Lee Ser Marisa (孟禧臻女士) (“Mrs. Marisa Tan”), aged 47, was appointed as a Director on 6 July 2020. Mrs. Marisa Tan is also the Group’s Chief Operating Officer. She has been with the Group since its 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.

Biographies of Directors and Senior Management

Mrs. Marisa Tan is the spouse of Mr. Vincent Tan, the Chairman and an executive Director of the Company, and she is the step-sister of Ms. Ng Hui Bin Audrey, an executive Director of the Company.

Non-Executive Director

Mr. Raymond Wong (王濂寬先生) (“Mr. Wong”), aged 55, 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 46, 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 47, 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 43, 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. Koh Hui Kian (辜慧娟女士) (“Ms. Koh”), aged 46, 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 32, was appointed as company secretary of the Company on 12 January 2018. Mr. Lui has been the company secretary of Zhuoxin International Holdings Limited (stock code: 8266) since 1 January 2020.

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.

Corporate Governance Report

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 “CG 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.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2020, the Company has applied the principles of and complied with all the applicable code provisions set out from time to time in the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules, save and except for the following deviations from code provisions A.2.1, C.2.5 and E.1.2 of the CG Code.

Under code provision A.2.1 of the CG 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.

Under code provision C.2.5 of the CG 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.

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. Mr. Vincent Tan was unable to attend the annual general meeting held on 23 June 2020 due to the travel restrictions in place as a result of the COVID-19.

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.

Corporate Governance Report

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 Tarnq Vincent (*Chairman and Chief Executive Officer*)

Ms. Ng Hui Bin Audrey

Ms. Beng Lee Ser Marisa (appointed on 6 July 2020)

Mr. Khung Poh Sun (resigned on 6 July 2020)

Non-Executive Director

Mr. Raymond Wong

Independent Non-Executive Directors

Mr. Chow Wing Tung

Mr. Hui Yan Kit

Mr. Tam Yat Kin Ken

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

Corporate Governance 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 during the year ended 31 December 2020 and 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.

The non-executive Director has been appointed for a fixed term and is subject to retirement by rotation and re-election at the Company's annual general meetings.

Directors' Induction and Continuing Professional Development

Pursuant to the code provision A.6.5 of the CG 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 CG 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 statutes, 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. 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.

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

Corporate Governance Report

The attendance records of the Directors for the regular board meeting, audit committee (“Audit Committee”) meeting, remuneration committee (“Remuneration Committee”) meeting, nomination committee (“Nomination Committee”) meeting and general 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 Tarnq Vincent | 4/4 | N/A | N/A | N/A | 0/1 |
| Ms. Ng Hui Bin Audrey | 4/4 | N/A | N/A | N/A | 0/1 |
| Ms. Beng Lee Ser Marisa (appointed on 6 July 2020) | 1/1 | N/A | N/A | N/A | N/A |
| Mr. Khung Poh Sun (resigned on 6 July 2020) | 3/3 | N/A | N/A | N/A | 0/1 |
| Non-Executive Director | | | | | |
| Mr. Raymond Wong | 4/4 | N/A | N/A | N/A | 0/1 |
| Independent Non-Executive Directors | | | | | |
| Mr. Chow Wing Tung | 4/4 | 2/2 | 2/2 | 2/2 | 1/1 |
| Mr. Hui Yan Kit | 4/4 | 2/2 | 2/2 | 2/2 | 0/1 |
| Mr. Tam Yat Kin Ken | 4/4 | 2/2 | 2/2 | 2/2 | 1/1 |

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 CG 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.

Corporate Governance Report

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 2020 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made. There was no disagreement between the Board and the Audit Committee on the re-appointment of the auditor.

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 CG 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 CG 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.

Nomination criteria

When considering a candidate nominated for directorship or a director's re-appointment, the Nomination Committee shall have regard to the following factors:

- Diversity of the Board, including but not limited to gender, age, cultural, educational background, professional qualifications, skills, knowledge and industry experience of the candidate;
- Time commitment of the candidate. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;
- Potential/actual conflicts of interest that may arise if the candidate is selected;
- In the case of a proposed appointment of an independent non-executive Director, the independence of the candidate;

Corporate Governance Report

- In the case of a proposed re-appointment of an independent non-executive Director, the number of years he/she has already served the Company; and
- Other factors considered to be relevant by the nomination committee on a case by case basis.

Nomination procedure

To nominate director candidates, candidates would be identified by various methods and evaluated based on the approved selection criteria. Shortlisted candidates would be interviewed and their profiles would be reviewed, before making recommendations to the Board on the selected candidates.

The nomination policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The nomination policy will be reviewed on a regular basis.

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 2020, 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 2020, PricewaterhouseCoopers was engaged as the Group's independent auditor. The remuneration paid/payable to PricewaterhouseCoopers in respect of audit services and non-audit services amounted to HK\$1,088,000 and nil respectively for the year ended 31 December 2020.

Corporate Governance Report

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. The remunerations of the Directors are determined based on the market price and contribution made by such Directors for the Company. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

The remuneration of the senior management by band for the year ended 31 December 2020 is set out below:

| Remuneration band | Number of individuals |
|---------------------|-----------------------|
| Nil – HK\$1,000,000 | 2 |

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 2020.

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 effectiveness 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.

Corporate Governance Report

The Group shall review the risk management and the internal control systems at least once a year to ensure their effectiveness.

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.

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 2020.

Corporate Governance Report

DEED OF NON-COMPETITION

In accordance with the non-competition undertakings set out in the deed of non-competition dated 1 February 2019 (the “Deed of Non-Competition”) executed by the controlling shareholders of the Company (the “Controlling Shareholders”) in favour of the Company (for itself and as trustee for its subsidiaries), save for Mr. Tan Shuay Tarnng Vincent’s existing interests in Vincar Assets Pte. Ltd. and Wealth Assets Pte. Ltd., the Controlling Shareholders have undertaken to the Company that they shall not to either on his/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of the Group) to conduct business which, directly or indirectly, competes or may compete with the business presently carried out on by the Company or any of the subsidiaries or any other business that may be carried on by any of them from time to time during the term of the Deed of Non-Competition, in Singapore, Hong Kong or such other places as the Company or any of the subsidiaries may conduct or carry on any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time be engaged by the Group. Information in relation to Vincar Assets Pte. Ltd. and Wealth Assets Pte. Ltd. and the details of the Deed of Non-Competition was set out in the section headed “Relationship with Controlling Shareholders” of the Prospectus of the Company dated 13 February 2019.

The Company has received an annual confirmation from each of the Controlling Shareholders confirming that he/it had complied with the non-competition undertakings during the year ended 31 December 2020 under the Deed of Non-Competition. The Controlling Shareholders also confirmed in the said annual confirmation that none of them had any interest in a business, other than business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group during the year ended 31 December 2020.

The independent non-executive Directors have reviewed and confirmed that they were not aware of any non-compliance of the non-competition undertakings under the Deed of Non-Competition by the Controlling Shareholders, and concurred that such undertakings had been duly enforced and complied with by the Controlling Shareholders during the year ended 31 December 2020.

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.

Corporate Governance Report

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.

Corporate Governance Report

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 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 23 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 is set out in the section headed “Management Discussion and Analysis” of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Companies Ordinance (Chapter 622 of the laws of Hong Kong):

Business Risk

Since the Group does not engage in the manufacturing of motor vehicles, the Group’s sales of motor vehicles are dependent on the supply of motor vehicles from the suppliers. Further, the suppliers may encounter difficulties supplying motor vehicles to the Group or may run into financial difficulties due to factors which are beyond the Group’s control. In such situations, if the suppliers attempt to increase their prices, alter payment terms and/or pass on their increased costs to the Group, reduce their supply of motor vehicles or cease operations, such actions would likely increase the costs, create challenges for the Group in meeting the Group’s customers’ expectations and may have a negative impact on the Group’s reputation.

Inventory Risk

The Group is exposed to higher risks of inventory obsolescence, a decline in inventory values and significant write-downs or write-offs if the Group fails to manage the inventory effectively and overstock unpopular motor vehicles.

Economic and Political Risk

Adverse changes in the economic and political environment and government policies may affect the Group’s ability to execute its strategies.

Financial Risk

The Group is exposed to financial risks related to foreign currency, interest rate, credit and liquidity in the normal course of business. For details of such financial risks, please refer to note 3.1 to the consolidated financial statements.

People Risk

Loss of key management personnel may affect the Group’s business, prospects and financial performance.

Report of the Directors

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 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 45 and 46 to 47 respectively of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group realises the importance of environmental protection in pursuing a long-term sustainability. The Group makes best effort in protecting the environment during daily operation. In particular, the Group promotes the reuse and recycling of resources such as paper and the minimisation of electricity and water consumption as means of environmental protection. The Group is committed to improving environmental sustainability and will closely monitor the performance. During the year ended 31 December 2020, as far as the Board and the management are aware, there was no material breach of or non-compliance with the relevant environmental laws and regulations by the Group that has material impact on the business and operation of the Group.

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 by 31 May 2021.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2020, 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.

Report of the Directors

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2020 are set out in the note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company issued share capital during the year are set out in note 20 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 48 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution to equity holders of the Company comprising share premium less accumulated deficits, amounted to approximately S\$7.2 million (2019: S\$9.5 million).

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 2020, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 46.2% and 58.8% 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 12.1% and 18.2% respectively of the Group's total revenue for the year ended 31 December 2020.

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 2020, the Group made charitable donations of approximately S\$1,000 (2019: S\$95,000).

Report of the Directors

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

Ms. Beng Lee Ser Marisa

(appointed on 6 July 2020)

Mr. Khung Poh Sun

(resigned on 6 July 2020)

Non-Executive Director:

Mr. Raymond Wong

Independent Non-Executive Directors:

Mr. Chow Wing Tung

Mr. Hui Yan Kit

Mr. Tam Yat Kin Ken

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 Mr. Tan Shuay Tarng Vincent, Ms. Beng Lee Ser Marisa and Mr. Chow Wing Tung 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 14 to 16 of this annual report.

Report of the Directors

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 21 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

Save for the contracts described under the section headed "Related Party Transactions" as set out in note 21 to the consolidated financial statements, 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.

MANAGEMENT CONTRACTS

During the year ended 31 December 2020, the Company did not enter into or have any management and administration contracts (other than a contract of service with any Director or any person under the full-time employment of the Company) in respect of the whole or any substantial part of the business of the Company.

Report of the Directors

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 21 to the consolidated financial statements. The related party transactions disclosed in note 21 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 2020, the interests and short positions of the Directors and chief executives of the Company in the shares of the Company, 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:

Report of the Directors

Long positions in the shares of the Company

| Name of director | Capacity/Nature of interest | Number of ordinary shares held/interested in (Note 1) | Number of share options (Note 2) | Approximate percentage of shareholding in the Company |
|------------------|---|---|----------------------------------|---|
| Mr. Vincent Tan | Interest in a controlled corporation (Note 3) | 381,400,000 (L) | — | 42.4% |
| | Beneficial owner | — | 9,000,000 (L) | 1.0% |
| | Interest of spouse (Note 4) | — | 9,000,000 (L) | 1.0% |
| Mrs. Marisa Tan | Interest of spouse (Note 5) | 381,400,000 (L) | 9,000,000 (L) | 43.4% |
| | Beneficial owner | — | 9,000,000 (L) | 1.0% |

Notes:

1. The Letter “L” denotes the person’s long position in the relevant shares.
2. These represent the shares to be issued and allotted by the Company upon exercise of the options granted under the Share Option Scheme (as defined in the section headed “Share Option Scheme” of this annual report). Please also refer to section headed “Share Option Scheme” for more details.
3. 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.
4. Mr. Vincent Tan is the spouse of Mrs. Marisa Tan and is therefore deemed to be interested in all the shares and/or underlying shares that Mrs. Marisa Tan is interested in by virtue of the SFO.
5. Mrs. Marisa Tan is the spouse of Mr. Vincent Tan and is therefore deemed to be interested in all the shares and/or underlying shares that Mr. Vincent Tan is interested in via Gatehouse Ventures by virtue of the SFO.

Save as disclosed above, as at 31 December 2020, 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 2020, 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:

Report of the Directors

Long positions in the shares of the Company

| Name | Capacity/Nature of interest | Number of ordinary shares held/interested in (Note 1) | Approximate percentage of shareholding in the Company |
|---------------------------|---|---|---|
| Gatehouse Ventures | Beneficial owner (Note 2) | 381,400,000 (L) | 42.4% |
| 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. All the issued shares of Gatehouse Ventures are legally and beneficially owned as to 100% by Mr. Vincent Tan, the Chairman and an executive Director of the Company.
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 2020, 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.

Report of the Directors

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 2020.

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.

Details of the movements of share options granted, exercised, cancelled or lapsed under the Scheme during the year ended 31 December 2020 are as follows:

| Grantees | Date of Grant | Exercise price of share options | Closing price of the shares on the date of grant | Outstanding as at 1 January 2020 | Granted during the period | Outstanding as at 31 December 2020 |
|--|---------------|---------------------------------|--|----------------------------------|---------------------------|------------------------------------|
| Directors | | | | | | |
| Mr. Vincent Tan | 8 April 2020 | HK\$0.146 | HK\$0.143 | N/A | 9,000,000 | 9,000,000 |
| Ms. Ng Hui Bin Audrey | 8 April 2020 | HK\$0.146 | HK\$0.143 | N/A | 9,000,000 | 9,000,000 |
| Mrs. Marisa Tan (<i>appointed as executive Director on 6 July 2020</i>) | 8 April 2020 | HK\$0.146 | HK\$0.143 | N/A | 9,000,000 | 9,000,000 |
| Mr. Khung Poh Sun (<i>resigned as executive Director on 6 July 2020</i>) | 8 April 2020 | HK\$0.146 | HK\$0.143 | N/A | 9,000,000 | 9,000,000 |
| Mr. Raymond Wong | 8 April 2020 | HK\$0.146 | HK\$0.143 | N/A | 9,000,000 | 9,000,000 |
| Mr. Chow Wing Tung | 8 April 2020 | HK\$0.146 | HK\$0.143 | N/A | 9,000,000 | 9,000,000 |
| Mr. Hui Yan Kit | 8 April 2020 | HK\$0.146 | HK\$0.143 | N/A | 9,000,000 | 9,000,000 |
| Mr. Tam Yat Kin Ken | 8 April 2020 | HK\$0.146 | HK\$0.143 | N/A | 9,000,000 | 9,000,000 |
| Sub-total | | | | | 72,000,000 | 72,000,000 |
| Other | | | | | | |
| Employee and other | 8 April 2020 | HK\$0.146 | HK\$0.143 | N/A | 18,000,000 | 18,000,000 |
| Total | | | | N/A | 90,000,000 | 90,000,000 |

Report of the Directors

(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 as at the date of this annual report.

(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) Ranking of shares

The shares to be allotted and issued upon the exercise of an option shall be subject to the Company's constitutional documents for the time being in force and shall rank pari passu in all respects with the fully-paid shares in issue of the Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment.

Report of the Directors

(8) 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.

(9) 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 30 June 2020, there were 90,000,000 share options granted by the Company under the Scheme which were valid and outstanding, representing approximately 10% of the issued share capital of the Company as at the date of this report. The share options are exercisable for a period of ten years from 8 April 2020 (the "Option Period") and expiring at the close of business on the last day of the Option Period or at the expiry of the Scheme, whichever is earlier. The share options have vested on 8 April 2020.

No share options were exercised, cancelled or lapsed under the Scheme during the year ended 31 December 2020.

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 27 of this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on Friday, 18 June 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021, 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 Friday, 11 June 2021.

Report of the Directors

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 during the year ended 31 December and 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 during the year ended 31 December 2020. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any other significant event which had material effect on the Group subsequent to 31 December 2020 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 Tarnng Vincent
Chairman and Executive Director

Hong Kong, 31 March 2021

Independent Auditor's Report



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 45 to 103, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 2020, 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.

Independent Auditor's Report

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.

The 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 |
|--|--|
| <p>Net realisable value of inventories</p> <p><i>Refer to Note 2.10 (Accounting policies), Note 4(a) (Critical accounting estimates) and Note 14 (Inventories) to the consolidated financial statements</i></p> <p>At 31 December 2020, inventories of the Group which comprised of mainly motor vehicles amounted to S\$34.0 million. These inventories are carried at the lower of cost and net realisable value.</p> <p>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 information available for comparable car make and model. For the year ended 31 December 2020, no further provision for inventories is determined necessary.</p> <p>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 which is subject to high level of estimation uncertainty.</p> | <p>Our procedures in relation to management's assessment of net realisable value on inventories included:</p> <ul style="list-style-type: none">— Obtained an understanding of the management's internal control and assessment process of net realisable value of inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.— Compared prior year estimates to actual results in the current year and inquired of management reasons for any significant differences to assess quality of estimates made by management.— Tested reliability of the inventory report, including the completeness and accuracy of the underlying data, on a sampling basis.— Tested management's assumptions on the net realisable value of the selected samples of motor vehicles against recent/subsequent sales records or indicative market price obtained through independent vehicle price research.— Tested mathematical accuracy of the calculation of the inventory provision. <p>Based on the procedures performed, we found management's assessment of the net realisable value of inventories to be supportable by available evidence.</p> |

Independent Auditor's Report

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.

Independent Auditor's Report

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, action taken to eliminate threats or safeguards applied.

Independent Auditor's Report

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, 31 March 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

| | Note | Year ended 31 December | |
|--|-------|------------------------|-----------------|
| | | 2020 S\$'000 | 2019 S\$'000 |
| Revenue | 5 | 160,872 | 186,971 |
| Cost of sales | 8 | (142,463) | (166,027) |
| Gross profit | | 18,409 | 20,944 |
| Other income | 6(a) | 1,111 | 496 |
| Other gains — net | 6(b) | 283 | 88 |
| Selling and distribution expenses | 8 | (4,015) | (5,039) |
| General and administrative expenses | 8 | (9,451) | (9,948) |
| Provision for impairment of receivables | 15 | (172) | (52) |
| Operating profit | | 6,165 | 6,489 |
| Finance income | 7 | 16 | 17 |
| Finance expenses | 7 | (2,075) | (2,296) |
| Finance expenses — net | | (2,059) | (2,279) |
| Profit before income tax | | 4,106 | 4,210 |
| Income tax expense | 10(a) | (856) | (1,204) |
| Profit and total comprehensive income for the year | | 3,250 | 3,006 |
| 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(a) | 0.36 | 0.35 |

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 2020

| | | As at 31 December | |
|-------------------------------|-------|-------------------|---------|
| | | 2020 | 2019 |
| | | S\$'000 | S\$'000 |
| | | Note | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 20,795 | 22,785 |
| Deferred income tax assets | 10(c) | 246 | 159 |
| Finance lease receivables | 17 | 21,764 | 21,090 |
| | | 42,805 | 44,034 |
| Current assets | | | |
| Inventories | 14 | 33,973 | 26,110 |
| Trade and other receivables | 15 | 21,081 | 25,176 |
| Finance lease receivables | 17 | 5,889 | 5,990 |
| Cash and bank balances | 16 | 6,818 | 9,649 |
| | | 67,761 | 66,925 |
| Total assets | | 110,566 | 110,959 |

Consolidated Statement of Financial Position

As at 31 December 2020

| | | As at 31 December | |
|---|-------|-------------------|---------|
| | | 2020 | 2019 |
| | | S\$'000 | S\$'000 |
| | Note | | |
| EQUITY | | | |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | 20 | 1,550 | 1,550 |
| Share premium | 20 | 11,864 | 11,864 |
| Capital reserve | 20 | 3,494 | 3,494 |
| Share based payment reserve | | 1,440 | — |
| Retained earnings | | 30,494 | 27,244 |
| Total equity | | 48,842 | 44,152 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 19 | 29,458 | 26,161 |
| Current liabilities | | | |
| Trade and other payables and provision for warranty | 18 | 10,978 | 11,244 |
| Borrowings | 19 | 19,572 | 27,849 |
| Income tax liabilities | 10(b) | 1,716 | 1,553 |
| | | 32,266 | 40,646 |
| Total liabilities | | 61,724 | 66,807 |
| Total equity and liabilities | | 110,566 | 110,959 |

The consolidated financial statements on pages 45 to 103 were approved and authorised for issue by the Board of Directors on 31 March 2021 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.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

| | Note | Attributable to owners of the Company | | | | Total equity S\$'000 |
|---|-------|--|-----------------------------|---|---------------------------------|----------------------------|
| | | Share capital S\$'000 | Share premium S\$'000 | Capital reserve S\$'000 Note 20(e) | Retained earnings S\$'000 | |
| 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 | 20(c) | 1,197 | (1,197) | — | — | — |
| Issue of shares pursuant to the Share Offer | 20(d) | 353 | 14,829 | — | — | 15,182 |
| Share issuance costs | 20(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

| | Note | Attributable to owners of the Company | | | | | Total equity S\$'000 |
|---|------|--|-----------------------------|---|---|---------------------------------|----------------------------|
| | | Share capital S\$'000 | Share premium S\$'000 | Capital reserve S\$'000 Note 20(e) | Share based payment reserve S\$'000 | Retained earnings S\$'000 | |
| Balance at 1 January 2020 | | 1,550 | 11,864 | 3,494 | — | 27,244 | 44,152 |
| Profit and total comprehensive income for the year | | — | — | — | — | 3,250 | 3,250 |
| Total comprehensive income | | 1,550 | 11,864 | 3,494 | — | 30,494 | 47,402 |
| Equity settled share based payments | 9 | — | — | — | 1,440 | — | 1,440 |
| Total transactions with owners in their capacity as owners | | — | — | — | 1,440 | — | 1,440 |
| Balance at 31 December 2020 | | 1,550 | 11,864 | 3,494 | 1,440 | 30,494 | 48,842 |

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 2020

| | | Year ended 31 December | |
|---|--|-------------------------------|---------|
| | | 2020 | 2019 |
| | | S\$'000 | S\$'000 |
| Note | | | |
| Cash flows from operating activities | | | |
| | Profit for the year | 3,250 | 3,006 |
| | Adjustments for: | | |
| | Income tax expense | 856 | 1,204 |
| | Depreciation expense | 3,345 | 3,356 |
| | Loss/(gain) on disposal of property, plant and equipment | 123 | (270) |
| | Gain on disposal of right-of-use assets | (19) | — |
| | Reversal of provision for inventories write-down | — | (51) |
| | Grant of share options | 1,440 | — |
| | Finance expenses | 2,075 | 2,296 |
| | Finance income | (16) | (17) |
| | Impairment of receivables | 172 | 52 |
| | | 11,226 | 9,576 |
| | Changes in working capital: | | |
| | Inventories | (7,863) | 1,457 |
| | Finance lease receivables | (573) | 62 |
| | Trade and other receivables | 3,923 | (2,084) |
| | Trade and other payables | (266) | (6,759) |
| | Cash generated from operations | 6,447 | 2,252 |
| | Interest received | 16 | 17 |
| | Income tax paid | (780) | (1,682) |
| | <i>Net cash generated from operating activities</i> | 5,683 | 587 |

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

| | Note | Year ended 31 December | |
|---|-------|------------------------|-----------------|
| | | 2020 S\$'000 | 2019 S\$'000 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 13 | (2,022) | (5,297) |
| Proceeds from disposal of property, plant and equipment | 22(a) | 744 | 1,323 |
| Repayment from a related party | | — | 22 |
| <i>Net cash used in investing activities</i> | | (1,278) | (3,952) |
| Cash flows from financing activities | | | |
| Repayment to a shareholder | | — | (131) |
| Issuance of new shares, net of issuance costs | 20(d) | — | 13,414 |
| Proceeds from borrowings | 22(b) | 488,055 | 152,677 |
| Repayment of borrowings | 22(b) | (492,192) | (155,678) |
| Repayment of lease liabilities | 22(b) | (1,324) | (1,351) |
| Interest paid | 22(b) | (1,775) | (1,741) |
| Listing expense paid | | — | (1,255) |
| <i>Net cash (used in)/generated from financing activities</i> | | (7,236) | 5,935 |
| Net (decrease)/increase in cash and cash equivalents | | (2,831) | 2,570 |
| Cash and cash equivalents at beginning of year | | 9,649 | 7,079 |
| Cash and cash equivalents at end of year | | 6,818 | 9,649 |

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 31 March 2021.

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 judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(i) *New and amended standards and interpretations effective in 2020*

The Group has adopted the followings new and amended standards and interpretations for the first time for the accounting period beginning on 1 January 2020:

| | |
|---|---|
| Amendments to IFRS 3 | Definition of a business |
| Amendments to IAS 1 and IAS 8 | Definition of material |
| Conceptual framework for financial reporting 2018 | Revised conceptual framework for financial reporting |
| IFRS 7, IFRS 9 and IAS 39 | Interest rate benchmark reform – amendment to IFRS 7, IFRS 9 and IAS 39 |
| Amendments to IFRS 16 | Covid-19-Related rent concessions |

The adoption of the new and amended IFRSs does not have any material impact on the Group's consolidated financial statements for the current period.

(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 | Reference to Conceptual Framework ¹ |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current ¹ |
| Amendments to IAS 16 | Property, Plant and Equipment — Proceeds before Intended Use ¹ |
| Amendments to IAS 37 | Onerous Contracts — Cost of Fulfilling a Contract ¹ |
| Annual improvements project | Annual Improvements to IFRS Standards 2018–2020 ¹ |
| IFRS 17 (Amendments) | Insurance Contracts ² |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint ventures ³ |

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

Consolidation (Continued)

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.

2.3 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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.3 Foreign currency translation (Continued)

(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.

2.4 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.

2.5 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

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 2.6).

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.

2.6 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.7 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.

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.

2.8 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.9 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.

2.10 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.11 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.

2.12 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.

2.13 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.

2.14 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.15 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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.15 Current and deferred income tax (Continued)

(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.

2.16 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. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.16 Employee benefits (Continued)

(d) Employee options

The fair value of option granted under the Company's Share Option Scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the option granted which excludes the impact of any service and non-market performance vesting conditions (e.g.: remaining as an employee of the entity over a specified time period). Detailed information in relation to the Share Option Scheme is set out in Note 9.

At the end of each period, the entity revised its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact to the revision to the original estimates, if any, in profit or loss with a corresponding adjustment to equity.

The Share Option Scheme shall be subject to the administration of the Board. When the options are exercised, the Group issue the appropriate number of shares to eligible persons. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

The proceeds received net of any directly attributable transactions are credited directly to equity.

2.17 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.18 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.

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 2.19(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.18 Revenue from contract with customers (Continued)

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.

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 2.17.

2.19 Leases

(a) Assets leased to the Group

The Group leases various office equipment, office premises and showrooms. Lease contracts are typically made for fixed periods of less than 1 year to 5 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.19 Leases (Continued)

(a) Assets leased to the Group (Continued)

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.

Extension options are included in a number of property leases in the Group. These terms are used to maximise operational flexibility in terms of managing contracts. All extension options held are exercisable only by the Group and not by the respective lessor. The Group considers all facts and circumstances that create an economic incentive to exercise an extension option in determining the lease term. Extension option is included in lease term only if the Group, as lessee, is reasonably certain to exercise the extension option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment and within control of the Group as lessee.

Amendments to IFRS 16 "COVID-19-related rent concessions" allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

The Group as a lessee applying the practical expedient would generally account for a forgiveness or waiver of lease payments as a variable lease payment not depends on index or rate, and make a corresponding adjustment to the lease liability to derecognise the part of the lease liability that has been forgiven or waived.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.19 Leases (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.

2.20 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.

2.21 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

2.22 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, Sterling pound ("GBP") and Japanese Yen ("JPY") and Hong Kong dollar ("HKD").

Should S\$ be strengthened/weakened by 5% (2019: 5%) for the year ended 31 December 2020 against HKD, with all other variables held constant, the impact of the profit for the year and the equity for the year ended 31 December 2020 would have been approximately S\$5,000 higher/lower (2019: S\$179,000 lower/higher) as a result of foreign exchanges gains/losses.

Should S\$ be strengthened/weakened by 5% (2019: 5%) for the year ended 31 December 2020 against GBP, with all other variables held constant, the impact of the profit for the year and the equity for the year ended 31 December 2020 would have been approximately S\$1,000 (2019: S\$10,000) lower/higher as a result of foreign exchanges losses/gains.

Should S\$ be strengthened/weakened by 5% (2019: 5%) for the year ended 31 December 2020 against JPY, with all other variables held constant, the impact of the profit for the year and the equity for the year ended 31 December 2020 would have been approximately S\$2,000 (2019: S\$17,000) lower/higher as a result of foreign exchanges losses/gains.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(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 19 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 17 to the consolidated financial statements.

If the interest rates had been higher/lower by 100 basis points (2019: 100 basis points) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by S\$177,000 (2019: S\$224,000) as a result of higher/lower interest expense on these borrowings (net of finance lease receivables).

(c) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade and other receivables and finance lease receivables. 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 2020 and 2019, 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

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 average credit loss for trade receivables for Vincar Pte Ltd and Vincar Leasing & Rental Pte Ltd were 1% and 3% respectively, the impact of the expected loss is assessed to be immaterial for the year ended 31 December 2020 and 2019.

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 1% 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.

In determining the 12-month or lifetime expected credit loss for other 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 16), borrowings (Note 19) and undrawn borrowing facilities (Note 19) 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 2020 and 2019, 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 2020 and 2019. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 | Carrying value S\$'000 |
|-----------------------------|------------------------|-----------------------------|--|--|-----------------------------|------------------|------------------------------|
| Group | | | | | | | |
| At 31 December 2020 | | | | | | | |
| Block discounting | | | | | | | |
| financing | — | 7,562 | 7,050 | 12,999 | 2,736 | 30,347 | 27,956 |
| Lease liabilities | — | 1,311 | 1,315 | 3,712 | 65 | 6,403 | 5,607 |
| Hire purchase | | | | | | | |
| liabilities | 6,524 | — | — | — | — | 6,524 | 6,524 |
| Other borrowings | — | 5,385 | 1,052 | 2,717 | — | 9,154 | 8,943 |
| Trade and other payables | — | 5,150 | — | — | — | 5,150 | 5,150 |
| | 6,524 | 19,408 | 9,417 | 19,428 | 2,801 | 57,578 | 54,180 |
| 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 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 and Vincar Leasing and Rental Pte Ltd, both subsidiaries of the Company, are required by its principal banker to maintain a tangible net worth (i.e. paid up capital plus retained earnings) of S\$15,000,000 and S\$1,500,000 (2019: S\$15,000,000 and S\$Nil) as at 31 December 2020 respectively. Accordingly, the Group's strategy to capital management is to maintain its and its subsidiaries' equity within the stipulated requirements. As at 31 December 2020 and 2019, Vincar Pte Ltd and Vincar Lease and Rental 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 2020 and 2019.

| | As at 31 December | |
|--|-------------------|---------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| Borrowings (Note 19) | 49,030 | 54,010 |
| Less: Cash and bank balances (Note 16) | (6,818) | (9,649) |
| Net debt | 42,212 | 44,361 |
| Total equity | 48,842 | 44,152 |
| Total capital | 91,054 | 88,513 |
| Gearing ratio | 46% | 50% |

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 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4 Critical accounting estimates and judgments

Estimates and judgments 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 2.10), 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 against recent/subsequent sales records or indicative market price obtained through independent vehicle price research. Management will adjust the carrying amounts to the realisable value when they are different to those previously estimated net of cost for sales.

The carrying amounts of inventories as at 31 December 2020 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 2020 and 2019 shall increase by approximately S\$1,303,000 and S\$1,669,000 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).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4 Critical accounting estimates and judgments (Continued)

(c) Determination of the lease term (Continued)

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

All extension options in showrooms 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 | |
|---|------------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Sale of motor vehicles* | 151,507 | 177,524 |
| Motor vehicles financing related services | | |
| — Finance commission income | 3,568 | 3,700 |
| — Insurance commission income | 579 | 401 |
| Sale of spare parts and accessories | — | 33 |
| Revenue from contracts with customers under IFRS 15 recognised at point in time | 155,654 | 181,658 |
| Motor vehicles financing related services | | |
| — Interest income from finance lease arrangements | 2,474 | 2,284 |
| Rental income from operating lease of motor vehicles | 2,744 | 3,029 |
| Revenue from operating and finance lease arrangement under IFRS 16 | 5,218 | 5,313 |
| | 160,872 | 186,971 |

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 18. 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 | Rental income from operating leases of motor vehicles | Sales of spare parts and accessories | Consolidated |
|---|--|--|---|---------------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| For the year ended 31 December 2020 | | | | |
| Segment revenue | | | | |
| Total sales | 152,616 | 2,744 | — | 155,360 |
| Inter-segment sales | (1,109) | — | — | (1,109) |
| <hr/> | | | | |
| External sales | 151,507 | 2,744 | — | 154,251 |
| Finance commission income | 3,568 | — | — | 3,568 |
| Insurance commission income | 579 | — | — | 579 |
| Interest income from finance lease arrangement | 2,474 | — | — | 2,474 |
| <hr/> | | | | |
| | 158,128 | 2,744 | — | 160,872 |
| <hr/> | | | | |
| Segment profit | 5,685 | 478 | 2 | 6,165 |
| Finance expenses – net | | | | (2,059) |
| <hr/> | | | | |
| Profit before income tax | | | | 4,106 |
| Income tax expense | | | | (856) |
| <hr/> | | | | |
| Profit for the year | | | | 3,250 |
| <hr/> | | | | |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 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 |

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2020 | | | | | |
| Segment assets | 97,052 | 13,210 | — | 304 | 110,566 |
| Segment liabilities | 52,426 | 7,388 | — | 1,910 | 61,724 |
| Capital expenditure | 842 | 1,872 | — | — | 2,714 |
| 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 |

Unallocated segment assets represent deferred income tax assets and investment holding company assets. Unallocated segment liabilities represent income tax liabilities and investment holding company liabilities. Capital expenditure comprises additions to property, plant and equipment.

Geographical information

Over 98% (2019: 95%) of revenue of the Group were generated from external customers located in Singapore and over 91% (2019: 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 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

6 Other income and gains, net

(a) Other income

| | Year ended 31 December | |
|--------------------------------|------------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Government grants | 906 | 60 |
| Income from deposit forfeiture | 67 | 145 |
| Handling fee income | — | 183 |
| Sale of workshop accessories | 3 | 4 |
| Freight charges | — | 62 |
| Others | 135 | 42 |
| | 1,111 | 496 |

Government grants mainly arose from Wage Credit Scheme ("WCS"), Special Employment Credit ("SEC") and Job Support Scheme ("JSS").

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.

SEC was introduced by the Singapore government to support employers as well as to raise employability of older low-wage Singaporeans.

Government grants of S\$809,000 (2019: Nil) was recognised during the year ended 31 December 2020 under JSS. The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises to retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

(b) Other gains – net

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Foreign exchange gains/(losses) | 387 | (182) |
| (Loss)/gain on disposal of property, plant and equipment (Note 22) | (123) | 270 |
| Gain on disposal of right-of-use assets | 19 | — |
| | 283 | 88 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

7 Finance expenses – net

| | Year ended 31 December | |
|---------------------------------|------------------------|---------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| Finance income | | |
| Interest income on late payment | 16 | 17 |

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

| | Year ended 31 December | |
|--|------------------------|--------------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| Finance expenses | | |
| Bank overdrafts interest | — | 15 |
| Interest expenses on bank loans | 254 | 489 |
| Interest expenses on block discounting financing | 1,221 | 940 |
| Interest expenses on lease liabilities | 300 | 555 |
| Interest expenses on hire purchase liabilities | 300 | 297 |
| | 2,075 | 2,296 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 | |
|--|------------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Cost of inventories sold | 140,961 | 164,472 |
| Reversal of provision for inventories write-down (Note 14) | — | (51) |
| Auditor's remunerations* | | |
| — current year | 190 | 199 |
| Depreciation expense (Note 13) | 3,345 | 3,356 |
| Employee benefit expense (Note 9) | 7,912 | 7,041 |
| Rental expenses | 550 | 111 |
| Advertising and marketing expenses | 618 | 927 |
| Sales commission to external parties | 281 | 581 |
| Travelling and entertainment expenses | 126 | 260 |
| Pre-delivery inspection expenses | 393 | 368 |
| Listing expenses | — | 1,352 |
| Legal and professional fees | 700 | 823 |
| Bank charges | 220 | 467 |
| Forfeiture of trade deposit paid | — | 128 |
| Insurance | 38 | 120 |
| Office expenses | 188 | 217 |
| Donations | 1 | 95 |
| Other operating expenses | 406 | 548 |
| | 155,929 | 181,014 |

* The amounts wholly relate to audit service.

9 Employee benefit expense (including directors' emoluments)

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Wages and salaries | 5,545 | 5,870 |
| Employer's contribution to defined contribution plans | 621 | 713 |
| Equity-settled share-based payments | 1,440 | — |
| Other staff benefits | 306 | 458 |
| | 7,912 | 7,041 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Directors' emoluments

The remuneration of the directors for each of the years ended 31 December 2020 and 2019 were as follows:

| | Fees S\$'000 | Salaries and allowances S\$'000 | Bonuses S\$'000 | Employer's contribution to Central Provident Fund S\$'000 | Equity- settled share-based payment S\$'000 | Total S\$'000 |
|--|-----------------|---------------------------------------|--------------------|--|---|------------------|
| Year ended 31 December 2020 | | | | | | |
| Executive directors | | | | | | |
| Mr. Tan Shuay Tarnng Vincent | 31 | 455 | 120 | 13 | 144 | 763 |
| Mr. Khung Poh Sun (Note 1) | 15 | 52 | — | 4 | 144 | 215 |
| Ms. Ng Hui Bin Audrey | 31 | 70 | — | 12 | 144 | 257 |
| Ms. Beng Lee Ser Marisa (Note 1) | 15 | 342 | 30 | 17 | 144 | 548 |
| | 92 | 919 | 150 | 46 | 576 | 1,783 |
| Non-executive directors | | | | | | |
| Mr. Raymond Wong | 30 | — | — | — | 144 | 174 |
| Independent non-executive directors | | | | | | |
| Mr. Chow Wing Tung | 31 | — | — | — | 144 | 175 |
| Mr. Hui Yan Kit | 31 | — | — | — | 144 | 175 |
| Mr. Tam Yat Kit Ken | 31 | — | — | — | 144 | 175 |
| | 93 | — | — | — | 432 | 525 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2019 | | | | | |
| Executive directors | | | | | |
| Mr. Tan Shuay Tarnng Vincent | 26 | 480 | 80 | 13 | 599 |
| Mr. Khung Poh Sun (Note 1) | 26 | 62 | 18 | 7 | 113 |
| Ms. Ng Hui Bin Audrey | 26 | 79 | 17 | 17 | 139 |
| | 78 | 621 | 115 | 37 | 851 |
| Non-executive directors | | | | | |
| 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 |

Note 1: Mr. Khung Poh Sun resigned as an executive director of the Company on 6 July 2020, and Ms. Beng Lee Ser Marisa was appointed as an executive director of the Company on the same date.

(a) Director's retirement benefits

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 2020 (2019: Nil).

(b) Director's termination benefits

The directors did not receive or will not receive any termination benefits during the year ended 31 December 2020 (2019: Nil).

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

The Company did not pay consideration to any third parties for making available directors' services during the year ended 31 December 2020 (2019: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2020 (2019: Nil).

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors for the year ended 31 December 2020 (2019: one), whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining three individuals for the year ended 31 December 2020 (2019: four) are as follows:

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Wages, salaries and allowances | 535 | 713 |
| Employer's contribution to defined contribution plans | 53 | 69 |
| | 588 | 782 |

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

| Emolument band | Number of individuals Year ended 31 December | |
|-------------------------------|---|----------|
| | 2020 | 2019 |
| Nil – HK\$1,000,000 | 2 | 1 |
| HK\$1,000,001 – HK\$1,500,000 | 1 | 3 |
| | 3 | 4 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Share Option Plan

The establishment of the share option scheme (the "Share Option Scheme") was approved by board of directors on 1 February 2019. The Share Option Scheme is designed 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. Options are granted under the plan for no consideration and carry no dividend or voting rights.

The exercise price of the options is determined by the management was based on the highest of:

- the closing price of the shares on the date of grant as stated in the Hong Kong Stock Exchange;
- the average closing price of the shares as stated in the Hong Kong Stock Exchange 5 trading days before the date of grant; and
- the nominal value of the share on the offer date.

Set out below are summaries of options granted under the plan:

| | 2020 | | 2019 | |
|---------------------------------------|---|-------------------|---|-------------------|
| | Average exercise price per share option | Number of options | Average exercise price per share option | Number of options |
| As at 1 January | — | — | — | — |
| Granted during the year | HK\$0.146 | 90,000,000 | — | — |
| As at 31 December | HK\$0.146 | 90,000,000 | — | — |
| Vested and exercisable at 31 December | HK\$0.146 | 90,000,000 | — | — |

No options expired during the periods covered by the above tables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Share Option Plan (Continued)

Share options outstanding at the end of the year have the following expiry date and exercise prices:

| Grant Date | Expiry date | Exercise price | Share options 31 December 2020 | Share options 31 December 2019 |
|--------------|--------------|----------------|--------------------------------------|--------------------------------------|
| 8 April 2020 | 8 April 2030 | HK\$0.146 | 90,000,000 | — |
| Total | | | 90,000,000 | — |

Weighted average remaining contractual life of options
outstanding at end of period

9.3 years

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 31 December 2020 was HK\$0.0933 per option (2019: Nil). The fair value at grant date is independently determined using the binomial valuation model and subject to a number of assumptions and with regard to the limitation of the model. The fair value of the share options granted and the significant input to the model at grant date are summarised as below:

| | |
|---|--------------|
| Fair value of the share options granted (S\$) | 1,440,000 |
| Number of share options granted | 90,000,000 |
| Exercise price per share (HK\$) | 0.146 |
| Strike price per share (HK\$) | 0.143 |
| Grant date | 8 April 2020 |
| Expiry date | 8 April 2030 |
| Risk-free rate | 0.726% |
| Expected volatility | 240.8% |
| Expected dividend yield | 0% |
| Forfeiture rate | 0% |

The expected volatility measured on the standard deviation of expected share price returns was estimated based on statistical analysis of share prices since the Company was listed in February 2019.

As at 31 December 2020, all of the outstanding options have been vested. The total expense recognised in the consolidated statement of comprehensive income on the share options was S\$1,440,000 for the year ended 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2020 (2019: 17%).

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

| | Year ended 31 December | |
|---------------------------------------|------------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Singapore profits tax | | |
| Current income tax | 1,035 | 912 |
| (Over)/under-provision in prior years | (92) | 320 |
| Deferred tax credit (Note 10(c)) | (87) | (28) |
| Total tax expenses for the years | 856 | 1,204 |

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 | |
|--|------------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Profit before income tax | 4,106 | 4,210 |
| Tax at the statutory tax rate of 17% (2019: 17%) | 698 | 716 |
| Tax incentives | (43) | (69) |
| Income not subjected to tax | (138) | — |
| Expenses not deductible for tax | 418 | 289 |
| Tax rebate | — | (21) |
| (Over)/Under-provision of tax in prior financial years | (92) | 320 |
| Others | 13 | (31) |
| Income tax expenses | 856 | 1,204 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

10 Income taxes (Continued)

(b) Movement in current income tax liabilities

| | As at 31 December | |
|---------------------------------------|-------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Beginning of the year | 1,553 | 2,003 |
| Income tax paid | (780) | (1,682) |
| Income tax expense | 1,035 | 912 |
| (Over)/under-provision in prior years | (92) | 320 |
| End of the year | 1,716 | 1,553 |

(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.

The movement in deferred income tax assets and liabilities (after offsetting of balances) is as follows:

Deferred tax assets/(liabilities)

| | Unrealised profit S\$'000 | Accelerated tax depreciation S\$'000 | Right-of-use assets S\$'000 | Lease liabilities S\$'000 | Provisions S\$'000 | Total S\$'000 |
|--|---------------------------------|---|-----------------------------------|---------------------------------|-----------------------|------------------|
| At 1 January 2019 | 90 | (94) | (1,009) | 1,009 | 135 | 131 |
| (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 |
| (Credited)/charged to profit or loss (Note 10(a)) | (9) | 68 | 157 | (143) | 14 | 87 |
| At 31 December 2020 | 14 | 35 | (917) | 953 | 161 | 246 |

11 Dividends

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2020 and 2019.

| | Year ended 31 December | |
|--|------------------------|---------|
| | 2020 | 2019 |
| Profit attributable to equity holders of the Company (S\$'000) | 3,250 | 3,006 |
| Weight average number of ordinary shares in issue ('000) | 900,000 | 866,954 |
| Basic earnings per share in Singapore cents | 0.36 | 0.35 |

(b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding for the years ended 31 December 2020 and 2019. The Company's share option (Note 9) are not included in the calculation of the diluted earnings per share because they are anti-dilutive for the financial years ended presented. Hence, the diluted earnings per share is the same as basic earnings per share.

13 Property, plant and equipment

| | Office equipment | Motor vehicles | Renovation | Computers and software | Leasehold properties | Right-of-use assets | Furniture and fittings | Total |
|----------------------------|------------------|----------------|------------|------------------------|----------------------|---------------------|------------------------|---------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Year ended | | | | | | | | |
| 31 December 2020 | | | | | | | | |
| Opening net book amount | 105 | 13,433 | 600 | 26 | 2,223 | 6,322 | 76 | 22,785 |
| Additions | 16 | 1,993 | — | 9 | — | 692 | 4 | 2,714 |
| Disposals | — | (867) | — | — | — | (492) | — | (1,359) |
| Depreciation (Note 8) | (71) | (1,478) | (448) | (18) | (138) | (1,129) | (63) | (3,345) |
| Closing net booking amount | 50 | 13,081 | 152 | 17 | 2,085 | 5,393 | 17 | 20,795 |
| At 31 December 2020 | | | | | | | | |
| Cost | 338 | 17,143 | 1,472 | 364 | 3,688 | 6,928 | 425 | 30,358 |
| Accumulated depreciation | (288) | (4,062) | (1,320) | (347) | (1,603) | (1,535) | (408) | (9,563) |
| Net book amount | 50 | 13,081 | 152 | 17 | 2,085 | 5,393 | 17 | 20,795 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 | 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 | 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 |

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

| | Year ended 31 December | |
|-------------------------------------|-------------------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Cost of sales | 1,408 | 1,606 |
| General and administrative expenses | 1,937 | 1,750 |
| | 3,345 | 3,356 |

As at 31 December 2020, the carrying amount of motor vehicles amounting to S\$12,284,000 (2019: S\$12,430,000) were pledged for hire purchase financing (Note 19(d)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

13 Property, plant and equipment (Continued)

Right-of-use assets

Right-of-use assets comprised of leased office equipment, office spaces and showrooms.

Amount recognised in the consolidated statement of comprehensive income

| | Note | Year ended 31 December | |
|---------------------------------------|------|------------------------|-----------------|
| | | 2020 S\$'000 | 2019 S\$'000 |
| Interest expense on lease liabilities | 7 | 300 | 555 |
| Expense relating to short-term leases | 8 | 550 | 111 |

The total cash outflow for leases in 31 December 2020 and 2019 was S\$1,874,000 and S\$1,462,000 (including short-term leases).

The Group leases various offices, office equipment and showroom. Rental contracts are typically fixed period of 2 years to 5 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 showroom across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operation. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension are exercisable only by the Group and not by 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 19 (a)). As at 31 December 2020, the carrying amount of motor vehicles amounting to S\$28,119,000 (2019: S\$22,097,000) were pledged for the floor inventory advances.

The cost of inventories recognised as expense and included in "cost of sales" amounted to S\$98,096,000 for the year ended 31 December 2020 (2019: S\$117,846,000), which included reversal of inventory write-down as disclosed in Note 8.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

15 Trade and other receivables

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Current | | |
| Trade receivables | 866 | 1,947 |
| Less: Provision for impairment of trade receivables – third parties | (57) | (52) |
| Trade receivables – net | 809 | 1,895 |
| Prepayments | 19,815 | 22,686 |
| Other receivables | 457 | 595 |
| Total | 21,081 | 25,176 |

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 and prepayment for purchase of Certificates of Entitlement.

As at 31 December 2020 and 2019, the ageing analysis of the trade receivables based on invoice date are as follows:

| | As at 31 December | |
|--------------------|-------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Up to 3 months | 634 | 1,256 |
| 3 to 4 months | 66 | 72 |
| 4 months to 1 year | 80 | 442 |
| More than 1 year | 29 | 125 |
| | 809 | 1,895 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

15 Trade and other receivables (Continued)

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

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| As at 1 January | 52 | — |
| Provision for impairment of trade receivables | 96 | 52 |
| Bad debts written off | (91) | — |
| As at 31 December | 57 | 52 |

During the year ended 31 December 2020, other receivables of S\$76,000 has been provided for (2019: Nil).

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

| | As at 31 December | |
|--------------------------|-------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Singapore Dollar ("SGD") | 21,070 | 24,821 |
| Others | 11 | 355 |
| | 21,081 | 25,176 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

16 Cash and bank balances

Cash and bank balances are denominated in the following currencies:

| | As at 31 December | |
|-----|-------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| SGD | 6,663 | 4,839 |
| HKD | 65 | 4,141 |
| USD | 17 | 18 |
| GBP | 26 | 246 |
| JPY | 47 | 405 |
| | 6,818 | 9,649 |

17 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 2020 and 2019 is 6.36% and 6.37% per annum, respectively.

At 31 December 2020 and 2019, the Group has receivables under finance lease as follows:

| | Gross receivable S\$'000 | Unearned income S\$'000 | Net finance lease receivables S\$'000 |
|---------------------------------|--------------------------------|-------------------------------|--|
| As at 31 December 2020 | | | |
| Within 1 year | 7,460 | 1,571 | 5,889 |
| After 1 year but within 5 years | 20,707 | 2,837 | 17,870 |
| After 5 years | 4,164 | 270 | 3,894 |
| | 32,331 | 4,678 | 27,653 |
| 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 |

As at 31 December 2020 and 2019, the block discounting financing (Note 19(c)) were secured by the finance lease receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

18 Trade and other payables and provision for warranty

| | As at 31 December | |
|---------------------------------|-------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Trade payables (Note a) | 2,419 | 3,686 |
| Other payables | 966 | 1,397 |
| Contract liabilities (Note c) | 5,628 | 4,795 |
| Accrued operating expenses | 1,765 | 1,127 |
| Provision for warranty (Note b) | 200 | 239 |
| | 10,978 | 11,244 |

(a) Trade payables

An ageing analysis of the trade payables as at 31 December 2020 and 2019, based on the invoice date, is as follows:

| | As at 31 December | |
|--------------------|-------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Within 1 month | 1,889 | 2,466 |
| 1 to 4 months | 316 | 361 |
| 4 months to 1 year | 110 | 567 |
| More than 1 year | 104 | 292 |
| | 2,419 | 3,686 |

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

18 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 | |
|------------------------------------|--------------------------|---------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| As at 1 January | 239 | 270 |
| Reversal of provision for the year | (30) | (8) |
| Provision utilised | (9) | (23) |
| As at 31 December | 200 | 239 |

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

| | As at 31 December | |
|-----|--------------------------|---------|
| | 2020 | 2019 |
| | S\$'000 | S\$'000 |
| SGD | 10,783 | 11,084 |
| HKD | 194 | 160 |
| JPY | 1 | — |
| | 10,978 | 11,244 |

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

(c) Contract liabilities

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

| | 2020 | 2019 |
|--|----------------|---------|
| | S\$'000 | S\$'000 |
| <i>Revenue recognised that was included in the contract liability balance at the beginning of the year</i> | | |
| Sales of motor vehicles | 4,795 | 10,250 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

19 Borrowings

| | As at 31 December | |
|--------------------------------------|-------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Non-current | | |
| Block discounting financing (Note c) | 21,278 | 20,736 |
| Lease liabilities | 4,546 | 5,425 |
| Term loan (Note e) | 3,634 | — |
| | 29,458 | 26,161 |
| Current | | |
| Floor inventory advances (Note a) | — | 713 |
| Trust receipts (Note b) | 4,333 | 11,520 |
| Block discounting financing (Note c) | 6,678 | 6,760 |
| Lease liabilities | 1,061 | 1,025 |
| Hire purchase liabilities (Note d) | 6,524 | 7,831 |
| Term loan (Note e) | 976 | — |
| | 19,572 | 27,849 |
| | 49,030 | 54,010 |

Notes:

- (a) Floor inventory advances were secured by certain inventories (Note 14) and corporate guarantee provided by the Company.
- (b) Trust receipts financing were secured by corporate guarantee provided by the Company.
- (c) Block discounting financing were secured by finance lease receivables (Note 17) and corporate guarantee provided by the Company. 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 2020 and 2019. Therefore, the Group classified certain portion of the block discounting as at 31 December 2020 and 2019 as non-current.
- (d) Hire purchase liabilities were bank loans 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) Term loan was secured by corporate guarantee provided by the Company.

Notes to the Consolidated Financial Statements

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19 Borrowings (Continued)

The average effective interest rate per annum as at 31 December 2020 and 2019 were set out as follows:

| | As at 31 December | |
|-----------------------------|-------------------|-----------|
| | 2020 % | 2019 % |
| Floor inventory advances | — | 4.5 |
| Trust receipts | 4.0 | 4.0 |
| Block discounting financing | 3.7 | 3.6 |
| Lease liabilities | 5.0 | 5.0 |
| Hire purchase liabilities | 3.4 | 3.4 |
| Term loan | 3.8 | — |

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 borrowings are denominated in S\$ and approximate to their fair values.

As at 31 December 2020 and 2019, the Group has unutilised committed banking facilities of approximately S\$4,200,000 and S\$4,700,000 respectively.

20 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 |
| As at 31 December 2019 | 10,000,000,000 | 17,207 |
| As at 31 December 2020 | 10,000,000,000 | 17,207 |
| Issued and fully paid: | | |
| Ordinary shares | | |
| As at 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 |
| At 31 December 2020 | 900,000,000 | 1,550 |

* Amount below S\$1,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

20 Share capital (Continued)

- (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.
- (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 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.

21 Related party transactions

(a) Transactions with related parties

During the year ended 31 December 2020 and 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 | Executive Director and the 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. |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

21 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:

| Transactions | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Rental paid/payable to related parties | | |
| — Autumn Silver Investments Ltd | (60) | (60) |
| — Victoria Land Limited | (84) | (84) |
| — Wealth Asset Pte. Ltd | (925) | (844) |
| — Mr. Vincent Tan & Beng Lee Ser. Marisa | (96) | (96) |
| | (1,165) | (1,084) |
| Payments on behalf of related parties | | |
| — Beng Lee Ser, Marisa | — | 5 |
| | — | 5 |
| Payments on behalf by related parties | | |
| — Beng Lee Ser, Marisa | (383) | — |
| — Mr. Vincent Tan | (113) | — |
| | (496) | — |
| Sales to related parties | | |
| — Beng Lee Ser, Marisa | 297 | — |
| | 297 | — |
| Purchases from related parties | | |
| — Beng Lee Ser, Marisa | 255 | — |
| | 255 | — |

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

22 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 | |
|--|------------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Net carrying amount of property, plant and equipment (Note 13) | 867 | 1,053 |
| (Loss)/gain on disposal of property, plant and equipment (Note 6(b)) | (123) | 270 |
| Proceeds from disposal of property, plant and equipment | 744 | 1,323 |

(b) Cash flow information – financing activities

This section sets out the reconciliation of liabilities arising from financing activities for the years ended 31 December 2020 and 2019.

| | Block discounting financing and hire purchase liabilities S\$'000 | Interest payable S\$'000 | Bank borrowings S\$'000 | Lease liabilities S\$'000 | Amount due to a shareholder S\$'000 | Total S\$'000 |
|---------------------------------|--|-----------------------------|----------------------------|------------------------------|--|------------------|
| As at 1 January 2019 | 33,782 | — | 16,779 | 5,937 | 131 | 56,629 |
| Non-cash movements | | | | | | |
| — Interest expense | — | 1,741 | — | 555 | — | 2,296 |
| — Addition new lease | — | — | — | 1,309 | — | 1,309 |
| Cash flows | 1,545 | (1,741) | (4,546) | (1,351) | (131) | (6,224) |
| As at 31 December 2019 | 35,327 | — | 12,233 | 6,450 | — | 54,010 |
| As at 1 January 2020 | 35,327 | — | 12,233 | 6,450 | — | 54,010 |
| Non-cash movements | | | | | | |
| — Interest expense | — | 1,775 | — | 300 | — | 2,075 |
| — Addition new lease | — | — | — | 692 | — | 692 |
| — Disposal of lease liabilities | — | — | — | (511) | — | (511) |
| Cash flows | (847) | (1,775) | (3,290) | (1,324) | — | (7,236) |
| As at 31 December 2020 | 34,480 | — | 8,943 | 5,607 | — | 49,030 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

23 Investment in subsidiaries/Amount due from a subsidiary

(a) Investment in subsidiaries

Details of unlisted subsidiaries are as follows:

| Name of subsidiaries | Date of incorporation | Country of operation/ incorporation | Principal activities | Issued and paid up capital S\$'000 | Effective interest held As at 31 December | |
|---------------------------------------|-----------------------|--|---|---------------------------------------|--|------|
| | | | | | 2020 | 2019 |
| Directly held by the Company | | | | | | |
| Solution Lion Limited | 12 May 2017 | British Virgin Islands | Investment holding company | S\$2,294 | 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 | 100% | 100% |
| Vincar Leasing and Rental Pte. Ltd. | 23 May 2014 | Singapore | Leasing of motor vehicles | S\$100 | 100% | 100% |
| Autoart Motorsports Pte. Ltd. | 23 November 2015 | Singapore | Sale of spare parts and accessories | S\$100 | 100% | 100% |

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

24 Balance sheet and reserve movement of the Company

(a) Financial position of the Company

| | | As at 31 December | |
|---|-------|-------------------|---------------|
| | | 2020 | 2019 |
| | | S\$'000 | S\$'000 |
| | | Note | |
| ASSETS | | | |
| Non-current asset | | | |
| Investment in subsidiaries | 23(a) | 2,294 | 2,294 |
| Current assets | | | |
| Trade and other receivables | | 7 | 342 |
| Amount due from a subsidiary | 23(b) | 7,984 | 7,074 |
| Cash and bank balances | | 51 | 1,530 |
| | | 8,042 | 8,946 |
| Total assets | | 10,336 | 11,240 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | 20 | 1,550 | 1,550 |
| Share premium | 20 | 11,864 | 11,864 |
| Share based payment reserve | | 1,440 | — |
| Accumulated deficit | | (4,712) | (2,334) |
| Total equity | | 10,142 | 11,080 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 194 | 160 |
| Total liabilities | | 194 | 160 |
| Total equity and liabilities | | 10,336 | 11,240 |

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 31 March 2021 and was signed on its behalf.

Mr. Tan Shuay Tarnng 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

24 Balance sheet and reserve movement of the Company (Continued)

(b) Reserve movement of the Company

| | Share based payment reserve S\$'000 | Accumulated deficit S\$'000 |
|--|--|-----------------------------------|
| At 1 January 2019 | — | — |
| Loss and total comprehensive loss for the year | — | (2,334) |
| At 31 December 2019 and 1 January 2020 | — | (2,334) |
| Loss and total comprehensive loss for the year | — | (2,378) |
| Equity settled share based payments | 1,440 | — |
| At 31 December 2020 | 1,440 | (4,712) |

25 Commitments

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 2020 and 2019 are as follows:

| | As at 31 December | |
|---------------------------------|-------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Within 1 year | 1,320 | 1,735 |
| After 1 year but within 5 years | 1,171 | 1,260 |
| After 5 years | 261 | 101 |
| | 2,752 | 3,096 |

26 Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 | |
|--|-------------------|-----------------|
| | 2020 S\$'000 | 2019 S\$'000 |
| Financial assets at amortised costs | | |
| Trade and other receivables (excluding prepayments) | 1,266 | 2,490 |
| Cash and bank balances | 6,818 | 9,649 |
| Financial liabilities at amortised costs | | |
| Borrowings | (49,030) | (54,010) |
| Trade and other payables (excluding non-financial liabilities) | (5,150) | (6,210) |

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.

Financial Summary

For the year ended 31 December 2020

RESULTS

| | 2020 S\$'000 | For the year ended 31 December | | | |
|--|-------------------------------|---------------------------------------|-----------------|-----------------|-----------------|
| | | 2019 S\$'000 | 2018 S\$'000 | 2017 S\$'000 | 2016 S\$'000 |
| Revenue | 160,872 | 186,971 | 184,993 | 204,898 | 144,375 |
| Gross profit | 18,409 | 20,944 | 22,034 | 22,055 | 15,152 |
| Profit before income tax | 4,106 | 4,210 | 9,075 | 9,795 | 5,671 |
| Profit and total comprehensive income for the year | 3,250 | 3,006 | 7,430 | 7,996 | 4,636 |

ASSETS AND LIABILITIES

| | 2020 S\$'000 | As at 31 December | | | |
|-------------------|-------------------------------|--------------------------|-----------------|-----------------|-----------------|
| | | 2019 S\$'000 | 2018 S\$'000 | 2017 S\$'000 | 2016 S\$'000 |
| Total assets | 110,566 | 110,959 | 100,461 | 80,412 | 72,780 |
| Total liabilities | 61,724 | 66,807 | 72,729 | 60,110 | 59,768 |
| Total equity | 48,842 | 44,152 | 27,732 | 20,302 | 13,012 |