

ZHENG LI HOLDINGS LIMITED

正力控股有限公司

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8283

2017

Third Quarterly Report



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Kelvin LIM
Mr. WANG Jingan
Mr. CHUA Boon Hou (Cai Wenhao)
Mr. LIM Kong Joo
Mr. SO Zelong

Non-executive Director

Mr. DU Xianjie

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

COMPLIANCE OFFICER

Mr. CHUA Boon Hou (Cai Wenhao)

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

AUDITOR

Ernst & Young
Certified Public Accountants:
22/F, CITIC Tower
1 Tim Mei Avenue
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LEGAL ADVISER

as to Hong Kong Law:
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Suite 1509, 15/F
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1 Connaught Place
Central
Hong Kong

CORPORATE INFORMATION

COMPLIANCE ADVISER

Messis Capital Limited
Room 1606, 16/F, Tower 2
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18 Harcourt Road
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PRINCIPAL BANKS

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DBS Bank Limited
12 Marina Boulevard
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Singapore 018982

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTER IN SINGAPORE

176 Sin Ming Drive
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Singapore 575721

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Clifton House
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Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG UNDER PART 16 OF THE COMPANIES ORDINANCE (CAP. 622)

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STOCK CODE

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WEBSITE

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THIRD QUARTERLY RESULTS

The Board of Directors of the Company (the "Board") is pleased to report the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 September 2017 with comparative figures for the corresponding periods in the year 2016.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 S\$'000 (Unaudited)	2016 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2016 S\$'000 (Unaudited)
REVENUE	3	3,600	4,582	10,513	11,490
Other income and gains		420	55	804	548
Items of expense					
Cost of materials		(1,846)	(2,083)	(5,376)	(5,933)
Marketing and advertising expenses		(263)	(16)	(316)	(41)
Employee benefits expense		(1,245)	(941)	(3,282)	(3,098)
Depreciation of property, plant and equipment		(94)	(87)	(251)	(237)
Amortisation of intangible assets		(13)	(6)	(47)	(14)
Allowance for doubtful debts		—	—	—	(29)
Finance costs		(29)	(14)	(62)	(66)
Other expenses		(772)	(1,279)	(1,937)	(3,840)
(Loss)/profit before tax		(242)	211	46	(1,220)
Income tax expense	4	60	(213)	(16)	(272)
(Loss)/profit for the period		(182)	(2)	30	(1,492)
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Available-for-sale investment:					
Changes in fair value		—	(1)	—	(20)
Income tax effect		—	—	—	3
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		—	(1)	—	(17)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(182)	(3)	30	(1,509)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
— Basic (S\$ cents)		N/A	N/A	N/A	(0.30)
— Diluted (S\$ cents)		N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Share capital S\$'000	Share premium S\$'000	Available- for-sale investment revaluation reserve S\$'000	Merger reserve S\$'000	Retained profits/ (accumulated losses) S\$'000	Total S\$'000
At 1 January 2016 (audited)	—	—	(41)	6,863	266	7,088
Loss for the period	—	—	—	—	(1,492)	(1,492)
Other comprehensive income for the period:						
Changes in fair value of an available-for-sale investment, net of tax	—	—	(17)	—	—	(17)
Total comprehensive income for the period	—	—	(17)	—	(1,492)	(1,509)
At 30 September 2016 (unaudited)	—	—	(58)	6,863	(1,226)	5,579
At 1 January 2017 (audited)	900	8,982	17	3,884	546	14,329
Profit for the period	—	—	—	—	30	30
Total comprehensive income for the period	—	—	—	—	30	30
At 30 September 2017 (unaudited)	900	8,982	17	3,884	576	14,359

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 17 March 2016. The registered office of the Company is situated at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business in Hong Kong under Part 16 of the Companies Ordinance (Cap. 622) is at Unit 3209, 32nd Floor Office Tower Convention Plaza, No. 1 Harbour Road, Hong Kong.

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

- 1) maintenance and repair of passenger cars;
- 2) modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories; and
- 3) provision of extended warranty program.

2. Basis of preparation

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

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

Basis of consolidation

The condensed consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 30 September 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

3. Revenue

Revenue represents services rendered to customers less any discounts and invoiced trading sales of spare parts.

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Maintenance and repair services	3,222	3,228	8,835	8,824
Modification, tuning and grooming services and trading of spare parts	351	1,354	1,644	2,666
Extended warranty program	27	—	34	—
	3,600	4,582	10,513	11,490

4. Income tax expense

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

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax				
— Current period	(60)	213	16	276
Deferred tax				
— Current period	—	—	—	(4)
Tax expense for the period — Singapore	(60)	213	16	272

5. Dividends

The Board did not recommend the payment of any interim dividend for the nine months ended 30 September 2017.

6. (Loss)/earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share is based on the following data:

	Three months ended 30 September		Nine months ended 30 September	
	2017 S\$'000 (Unaudited)	2016 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2016 S\$'000 (Unaudited)
(Loss)/profit for the period	(182)	(2)	30	(1,492)
Weighted average number of ordinary Shares (‘000)	500,000	4,582	500,000	11,490

No adjustment has been made to the basic (loss)/earnings per share as the Group had no potentially dilutive ordinary share in issue during the three and nine months ended 30 September 2017 and 30 September 2016.

7. Events after the reporting period

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

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is a leading automotive service provider in Singapore. We have over 14 years of experience in the passenger car service industry, and offer a comprehensive range of passenger car services including: (i) maintenance and repair services; (ii) modification, tuning and grooming services; and (iii) provision of extended warranty program. We have the capability to maintain and repair a wide range of brands of passenger cars in Singapore and are equipped with diagnostic equipment for carrying out such services. We modify and tune mainly luxury and ultra-luxury passenger cars, providing services ranging from aesthetic modifications including installing bodykits, to performance modifications including lowering the suspension of passenger cars and replacing the engine control unit. We also sell passenger car spare parts and accessories in Singapore and export to other countries, such as Malaysia, Indonesia, United Kingdom, Peoples' Republic of China and Thailand.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

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

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

Despite our revenue decreased slightly by 8.7% for the nine months ended 30 September 2017 as compared with the same period in 2016, our management remains cautiously optimistic of the outlook for the Group in 2017 due to: (i) our collaborations with established car dealers in Singapore; (ii) our expectation that the decrease is of mild impact to our service offerings; (iii) the Group have established a loyal customer base of repeat customers; (iv) MBM Autocity being launched on 30 September 2017 and; (v) the new warranty program being launched in the second quarter of 2017.

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

On 30 September 2017, the Group officially launched its new MBM Autocity Service Centre situated at 160 Sin Ming Drive, Singapore ("MBM Autocity"). MBM Autocity is equipped with specialised mechanical and diagnostic tools to meet the growing motoring needs of passenger car drivers. MBM Autocity has the ability to provide over 30 different types of services including the Car-O-Liner Collision Repair System and Cromax Pro Paint System, and the capability to attend up to 70 passenger cars daily. The new facility is managed by a team of skilled and trained technicians, extending the Group's capability to serve more passenger cars, especially luxury and ultra-luxury passenger cars.

With the above expansion, the Group has been appointed as an approved reporting centre ("ARC") and authorised repairer by five insurance companies of which four are international insurance companies. An insured who is involved in any car accident will report the accident to the insurance company's ARC within 24 hours or by the next working day. As an authorised repairer, our Group shall render repair services in respect of the insured vehicles. In addition, the Group commenced a new business segment of offering extended warranty program to both new and used passenger cars. Under this program, the Group has entered into an agreement with an international insurance company and will carry out all repair services covered under the warranty program. All costs relating to the repairs shall be covered by this international insurance company.

Moving forward, the Group will focus on maintaining its leading position in the Singapore market, while looking for new opportunities to expand its service and product offerings to meet customer demand and trends. Our management will continue to forge stronger bonds with our customers, suppliers and working partners to continue to provide premier passenger car services in the Singapore passenger car market. Mr. SO Zelong (蘇澤龍) ("Mr. SO") has been appointed as an executive Director with effect from 3 July 2017. Mr. SO will be responsible for assisting one of the co-chairmen of the Board in expanding the Company's business operations into Asia markets outside Singapore, including the Hong Kong Special Administrative Region of the Peoples' Republic of China and the Peoples' Republic of China.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue

Revenue of our Group decreased by approximately S\$1.0 million or approximately 8.7% from approximately S\$11.5 million for the nine months ended 30 September 2016 to approximately S\$10.5 million for the nine months ended 30 September 2017. This is mainly due to lesser modification and tuning services during the nine months ended 30 September 2017.

Employee benefits expense

Our Group's employee benefits expense increased by approximately S\$0.2 million or 6.5% from approximately S\$3.1 million for the nine months ended 30 September 2016 to approximately S\$3.3 million for the nine months ended 30 September 2017. This is mainly due to increases in directors' fees as a result of: (i) the new appointment of two executive Directors in 2017 and three independent non-executive Directors during the Listing, which were not applicable for the nine months ended 30 September 2016; (ii) increase in employee headcount along with the Group's expansion; and (iii) salary increments for existing employees. The number of our full-time employees increased from 70 as at 30 September 2016 to 94 as at 30 September 2017.

Other expenses

Our Group's other expenses decreased by approximately S\$1.9 million or 50.0% from approximately S\$3.8 million for the nine months ended 30 September 2016 to approximately S\$1.9 million for the nine months ended 30 September 2017. This is mainly due to non-recurring expenses related to the Listing of approximately S\$2.5 million being recorded for the nine months ended 30 September 2016. The decrease is partly offset by increases in rental expense, primarily in relation to the launch and operation of MBM Autocity, and professional fees.

(Loss)/profit for the period

Our Group recorded a profit for the nine months ended 30 September 2017 of approximately S\$30,000, while a loss of approximately S\$1.5 million was recorded for the nine months ended 30 September 2016. This was mainly due to expenses related to the Listing of approximately S\$2.5 million recorded during the nine months ended 30 September 2016 as compared with nil during the nine months ended 30 September 2017 offset by increases in: (i) marketing and advertising expense; (ii) employee benefits expense; (iii) rental expense and (iv) professional fees. Our Group would have recorded a profit of approximately S\$1.0 million for the nine months ended 30 September 2016 should the expenses related to the Listing be excluded.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, the interests and short positions of the Directors and chief executives of the Company or any of their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in the Shares:

Name of Director/ Chief Executive	Capacity/ Nature of Interest	Shares held as at 30 September 2017	
		Number of Underlying Shares	Approximate Percentage (Note)
Mr. LIM	Beneficial interest	281,250,000	56.25%
Mr. CHUA	Beneficial interest	40,000	0.01%

Note: This is based on the total Shares in issue as at 30 September 2017, being 500,000,000.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the nine months ended 30 September 2017 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 30 September 2017, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long Positions in the Shares:

Name	Capacity/Nature of Interest	Aggregate number of Shares or underlying Shares	Approximate percentage of interest in our Company as at 30 September 2017 ¹
Mr. LIM	Beneficial owner	281,250,000	56.25%
Mdm. CHONG Ling Ling ²	Interest of spouse	281,250,000	56.25%
Mr. ZHOU Yunchuan	Interest of a controlled corporation, interests held jointly with another person	93,750,000	18.75%
Mdm. CHEN Yi ³	Interest of spouse	93,750,000	18.75%
Mdm. NG Geok Luan	Interest of a controlled corporation, interests held jointly with another person	93,750,000	18.75%
Mr. GOH Seng Moh ⁴	Interest of spouse	93,750,000	18.75%
Valiant World Enterprises Limited ⁵	Beneficial owner	93,750,000	18.75%

Notes:

- (1) This is based on the total Shares in issue as at 30 September 2017, being 500,000,000.
- (2) Mdm. CHONG Ling Ling is the spouse of Mr. LIM. Under the SFO, Mdm. CHONG Ling Ling is deemed to be interested in the same number of Shares in which Mr. LIM is interested.
- (3) Mdm. CHEN Yi is the spouse of Mr. ZHOU Yunchuan. Under the SFO, Mdm. CHEN Yi is deemed to be interested in the same number of Shares in which Mr. ZHOU Yunchuan is interested.
- (4) Mr. GOH Seng Moh is the spouse of Mdm. NG Geok Luan. Under the SFO, Mr. GOH Seng Moh is deemed to be interested in the same number of Shares in which Mdm. NG Geok Luan is interested.
- (5) The entire issued share capital of Valiant World Enterprises Limited is legally and beneficially owned by Mr. ZHOU Yunchuan and Mdm. NG Geok Luan as to 55% and 45%, respectively.

Save as disclosed above, as at 30 September 2017, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no other person or corporation (other than the Directors and chief executives of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

RELATED PARTY TRANSACTIONS

During the period under review, the Group has not entered into any related party transactions.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

PURCHASE, SALES 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 since the Listing and up to 30 September 2017.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 21 October 2016 (the "Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share option has been granted since the adoption of the Scheme up to 30 September 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by Directors on terms equivalent to the Required Standard of Dealings. The Company had made specific enquiries with written guidelines in relation to the Required Standard of Dealings to all Directors, all Directors have confirmed that they complied with the required standards set out in the Required Standard of Dealings since the Listing and up to 30 September 2017.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

Pursuant to code provision A.2 of the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "CG Code"), the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. LIM is currently the co-chairman and chief executive officer of our Group. Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, the Directors consider that throughout the nine months ended 30 September 2017, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.

INTEREST OF THE COMPLIANCE ADVISER

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

AUDIT COMMITTEE

The Group's third quarterly results for the nine months ended 30 September 2017 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the third quarterly results of the Group for the nine months ended 30 September 2017. A meeting of the Audit Committee was held with the management of the Company for, amongst other things, reviewing the third quarterly results of the Group for the nine months ended 30 September 2017.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates since the Listing to 30 September 2017.

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the nine months ended 30 September 2017.

APPRECIATION

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

By Order of the Board

Mr. Kelvin LIM

Co-chairman and Executive Director

8 November 2017