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## **Zheng Li Holdings Limited**

**正力控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8283)**

### **2019 INTERIM RESULTS ANNOUNCEMENT**

The board (the “**Board**”) of directors (the “**Directors**”) of Zheng Li Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019. This announcement, containing the full text of the 2019 Interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities (the “**GEM Listing Rules**”) on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of interim results.

By order of the Board of  
**Zheng Li Holdings Limited**  
**YAN Jianqiang**  
*Co-Chairman, Chief Executive Officer and  
Executive Director*

Hong Kong, 14 August 2019

*As at the date of this announcement, the executive Directors are Mr. CHUA Boon Hou (CAI Wenhao), Mr. YAN Jianqiang and Mr. YUAN Guoshun, the non-executive Director is Mr. WU Tangqing; and the independent non-executive Directors are Mr. LEUNG Yiu Cho, Mr. ZHANG Guangdong and Mr. DENG Bin.*

*This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 in this announcement misleading.*

*This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for at least seven days from the day of its posting. This announcement will also be published on the website of the Company at [www.zhengliholdings.com](http://www.zhengliholdings.com).*

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized 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.**

**Given that the companies listed on the GEM are generally small and mid-sized companies, there is a risk that securities traded on the GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on the GEM.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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. CHUA Boon Hou (CAI Wenhao)  
Mr. YAN Jianqiang (*Co-Chairman and Chief Executive officer*)  
Mr. YUAN Guoshun (*Co-Chairman*)  
Mr. CHEN Feng (resigned on 15 February 2019)

#### NON-EXECUTIVE DIRECTORS

Mr. WU Tangqing

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Yiu Cho  
Mr. ZHANG Guangdong  
Mr. DENG Bin

#### AUDIT COMMITTEE

Mr. LEUNG Yiu Cho (*Chairman*)  
Mr. ZHANG Guangdong  
Mr. DENG Bin

#### REMUNERATION COMMITTEE

Mr. LEUNG Yiu Cho (*Chairman*)  
Mr. ZHANG Guangdong  
Mr. YAN Jianqiang

#### NOMINATION COMMITTEE

Mr. ZHANG Guangdong (*Chairman*)  
Mr. DENG Bin  
Mr. YAN Jianqiang

#### RISK MANAGEMENT COMMITTEE

Mr. ZHANG Guangdong (*Chairman*)  
Mr. CHUA Boon Hou (CAI Wenhao)  
Mr. YAN Jianqiang

### 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  
Central  
Hong Kong

### BANKS

DBS Bank Limited  
12 Marina Boulevard  
Marina Bay Financial Centre Tower 3  
Singapore 018982

United Overseas Bank Limited  
80 Raffles Place  
UOB Plaza  
Singapore 048624

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## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

## **PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN SINGAPORE**

176 Sin Ming Drive  
#01-15 Sin Ming Autocare  
Singapore 575721

## **REGISTERED OFFICE IN THE CAYMAN ISLANDS**

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

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

9/F., Wah Yuen Building  
149 Queen's Road Central  
Hong Kong

## **STOCK CODE**

8283

## **COMPANY'S WEBSITE ADDRESS**

[www.zhengliholdings.com](http://www.zhengliholdings.com)

## INTERIM 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 six months ended 30 June 2019 with the unaudited comparative figures for the corresponding period in the year 2018.

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

For the three months and six months ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
<b>REVENUE</b>	3	<b>6,457</b>	4,424	<b>11,936</b>	8,187
<b>Other income and gains</b>		<b>42</b>	114	<b>98</b>	189
<b>Items of expense</b>					
Cost of materials		<b>(3,438)</b>	(1,998)	<b>(6,290)</b>	(4,111)
Marketing and advertising expenses		<b>(31)</b>	(43)	<b>(77)</b>	(97)
Employee benefits expense		<b>(1,851)</b>	(1,421)	<b>(3,363)</b>	(2,955)
Depreciation of property, plant and equipment		<b>(464)</b>	(474)	<b>(930)</b>	(938)
Amortisation of intangible assets		<b>(30)</b>	(4)	<b>(62)</b>	(10)
Bad debts written off		–	(46)	–	(46)
Finance costs		<b>(40)</b>	(41)	<b>(106)</b>	(94)
Other expenses		<b>(993)</b>	(1,066)	<b>(1,796)</b>	(2,150)
<b>Loss before tax</b>	4	<b>(348)</b>	(555)	<b>(590)</b>	(2,025)
Income tax expense	5	<b>(78)</b>	–	<b>(160)</b>	–
<b>Loss for the period</b>		<b>(426)</b>	(555)	<b>(750)</b>	(2,025)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		<b>(426)</b>	(555)	<b>(750)</b>	(2,025)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
— Basic and diluted (S\$ cents)	7	<b>(0.02)</b>	(0.03)*	<b>(0.04)</b>	(0.10)*

\* The number of shares of the Company (the “Shares”) was subdivided into four (4) subdivided Shares from 500,000,000 Shares to 2,000,000,000 Shares on 4 April 2019. Hence, the loss per share attributable to ordinary equity holders of the Parent-Basic and diluted (S\$ cents) for the three months and six months ended 30 June 2018 has been adjusted.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019 S\$'000 (Unaudited)	31 December 2018 S\$'000 (Audited)
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	7,686	8,509
Intangible asset		598	665
Financial asset at fair value through profit or loss		449	449
Prepayment		62	62
<b>Total non-current assets</b>		<b>8,795</b>	9,685
<b>CURRENT ASSETS</b>			
Inventories		828	895
Trade and other receivables	9	4,316	3,159
Prepayments		931	1,304
Cash and cash equivalents		2,010	1,718
<b>Total current assets</b>		<b>8,085</b>	7,076
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	4,338	3,582
Provisions		24	24
Interest-bearing bank and other borrowings	11	2,194	941
Contract liabilities		947	1,102
Tax payable		(61)	27
<b>Total current liabilities</b>		<b>7,442</b>	5,676
<b>NET CURRENT ASSETS</b>		<b>643</b>	1,400
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>9,438</b>	11,085
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	11	747	1,590
Provisions		510	565
Contract liabilities		647	647
Deferred tax liabilities		49	48
<b>Total non-current liabilities</b>		<b>1,953</b>	2,850
<b>Net assets</b>		<b>7,485</b>	8,235
<b>EQUITY</b>			
Share capital	12	900	900
Reserves		6,585	7,335
<b>Total equity</b>		<b>7,485</b>	8,235



## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital S\$'000	Share premium S\$'000	Available-for-sale investment revaluation reserve S\$'000	Merger reserve S\$'000	Retained profits/ losses (accumulated) S\$'000	Foreign currency translation reserve S\$'000	Total S\$'000
<b>At 1 January 2018 (audited)</b>	900	8,982	8	3,884	(1,511)	-	12,263
Loss for the period	-	-	-	-	(2,025)	-	(2,025)
Total comprehensive loss for the period	-	-	-	-	(2,025)	-	(2,025)
<b>At 30 June 2018 (unaudited)</b>	900	8,982	8	3,884	(3,536)	-	10,238
<b>At 1 January 2019 (audited)</b>	<b>900</b>	<b>8,982</b>	-	<b>3,884</b>	<b>(5,530)</b>	<b>(1)</b>	<b>8,235</b>
Loss for the period	-	-	-	-	(750)	-	(750)
Total comprehensive loss for the period	-	-	-	-	(750)	-*	(750)
<b>At 30 June 2019 (unaudited)</b>	<b>900</b>	<b>8,982<sup>#</sup></b>	-	<b>3,884<sup>#</sup></b>	<b>(6,280)<sup>#</sup></b>	<b>(1)<sup>#</sup></b>	<b>7,485</b>

# These reserve accounts comprise the consolidated reserves of S\$6,585,000 (31 December 2018: S\$7,335,000) in the consolidated statement of financial position.

\* Amount less than S\$1,000

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(6)	(982)
Net cash (used in)/from investing activities	(112)	235
Net cash from financing activities	410	3
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>292</b>	<b>(744)</b>
Cash and cash equivalents at beginning of the period	1,718	1,133
<b>Cash and cash equivalents at end of the period</b>	<b>2,010</b>	<b>389</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended 30 June 2019

### 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 at the offices of Estera Trust (Cayman) Ltd, PO 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 9/F., Wah Yuen Building, 149 Queen's Road Central, Hong Kong.

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

- (1) maintenance and repair of passenger cars;
- (2) modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories; and
- (3) Provision of sales integrated service platform

### 2. Basis of preparation

The unaudited condensed consolidated 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.

On 1 January 2019, the Group has adopted all the new and revised IFRSs issued by IASB that are relevant to its operations. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and has no material effect on the financial performance or position of the Group.

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

## Basis of consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Group for the three months and six months ended 30 June 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group 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		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers	6,457	–	11,936	–
Maintenance and repair services	–	3,755	–	6,854
Modification, tuning and grooming services and trading of spare parts	–	669	–	1,333
	6,457	4,424	11,936	8,187

## 4. Loss before tax

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

	Three months ended 30 June		Six months ended 30 June	
	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
Depreciation of property, plant and equipment	464	474	930	938
Amortisation of intangible assets	30	4	62	10
Minimum lease payments under operating leases	290	285	575	565
Staff costs (excluding directors' and chief executive's remuneration)	1,551	1,188	3,063	2,464
Bad debt written off	–	46	–	46
Foreign exchange (gains)/losses	26	(5)	35	10
Loss on disposal of property, plant and equipment	–	–	–	135

## 5. 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.

Subsidiaries in People's Republic of China ("PRC") are subject to taxation at a rate of 25% on the estimated profits arising in PRC.

	Three months ended 30 June		Six months ended 30 June	
	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
Current income tax — Current period	78	–	160	–
Tax expense for the period	78	–	160	–

## 6. Dividends

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019.

## 7. Loss per share attributable to ordinary equity holders of the parent

As at 30 June 2019, the Company had 2,000,000,000 ordinary Shares in issue. The calculation of basic earnings per Share is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
<b>Loss</b>				
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<b>(426)</b>	(555)	<b>(750)</b>	(2,025)

  

	Three months ended 30 June		Six months ended 30 June	
	2019 '000 (Unaudited)	2018 '000 (Unaudited)	2019 '000 (Unaudited)	2018 '000 (Unaudited)
<b>Number of Shares</b>				
Weighted average number of ordinary Shares for the purpose of basic (loss)/earnings per share	<b>2,000,000</b>	500,000	<b>2,000,000</b>	500,000

Basic loss per share for the six months ended 30 June 2019 is S\$(0.04) cents (2018: S\$(0.10)\* cents).

No adjustment has been made to the basic loss per share as the Group had no potentially dilutive ordinary Shares in issue during the six months ended 30 June 2019 and 2018.

\* The number of Shares was subdivided into four (4) subdivided Shares from 500,000,000 Shares to 2,000,000,000 Shares on 4 April 2019. Hence, the loss per Share attributable to ordinary equity holders of the Parent-Basic and diluted (Scence) for the three months and six months ended 30 June 2018 has been adjusted.

## 8. Property, plant and equipment

During the six months ended 30 June 2019, the Group acquired plant and equipment of approximately S\$0.1 million (six months ended 30 June 2018: S\$0.6 million). There is not write off/disposal of plant and equipment for six months ended 30 June 2019 (six months ended 30 June 2018: S\$0.8 million).

## 9. Trade and other receivables

	30 June 2019 S\$'000 (Unaudited)	31 December 2018 S\$'000 (Audited)
Trade receivables	2,966	2,114
Allowance for trade receivables	(315)	(315)
Trade receivables, net	2,651	1,799
Other receivables	347	145
Deposits	1,318	1,215
	4,316	3,159

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

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

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

	30 June 2019 S\$'000 (Unaudited)	31 December 2018 S\$'000 (Audited)
Current	2,095	1,181
Less than 1 month	228	239
Past due 1 to 3 months	6	61
Over 3 months	637	633
Expected credit losses	(315)	(315)
	2,651	1,799

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

	30 June 2019 S\$'000 (Unaudited)	31 December 2018 S\$'000 (Audited)
At beginning of year	315	96
Effect of adoption of IFRS 9	–	237
At beginning of year (restated)	–	333
Reversal of impairment losses recognised (note 6)	–	(9)
Write-off of trade receivables	–	(9)
At end of period/year	<b>315</b>	315

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

## 10. Trade and other payables

	30 June 2019 S\$'000 (Unaudited)	31 December 2018 S\$'000 (Audited)
Trade payables	1,083	1,036
Other payables	1,088	1,725
Deposits received from customers	511	–
Accrued expenses	1,656	799
Amount due to a related company	–	22
	<b>4,338</b>	3,582

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



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

	30 June 2019 S\$'000 (Unaudited)	31 December 2018 S\$'000 (Audited)
Less than 30 days	717	759
30–60 days	301	220
61–90 days	6	18
91–120 days	9	2
More than 120 days	50	37
	<b>1,083</b>	1,036

## 11. Interest bearing bank and other borrowings

	30 June 2019		31 December 2018	
	Maturity	S\$'000 (Unaudited)	Maturity	S\$'000 (Audited)
Current				
Term loans:				
— S\$ loan at 7% per annum (note a)	2020	1,680	—	—
— S\$ loan from a related company at 6% per annum	—	—	2019	184
— S\$ loan at 5% per annum on daily rest	2019	87	2019	344
— S\$ loan at 4% per annum on daily rest (note b)	2019-2020	169	2019	166
Obligations under finance leases	2019-2020	258	2019	247
		<b>2,194</b>		941
Non-current				
Term loans:				
— S\$ loan from a related company at 6% per annum	—	—	2023	665
— S\$ loan at 4% per annum on daily rest	2020	73	2019-2020	158
Obligations under finance leases	2020-2024	674	2020-2023	767
		<b>747</b>		1,590
Total		<b>2,941</b>		2,531

	30 June 2019 S\$'000 (Unaudited)	31 December 2018 S\$'000 (Audited)
Analysed into:		
Within one year	<b>2,194</b>	941
In the second year	<b>343</b>	583
In the third to fifth	<b>404</b>	1,007
	<b>2,941</b>	2,531

Notes:

- (a) The short-term loan is secured by way of corporate guarantees provided by one of the subsidiaries of the Group and a legal mortgage of the Group's freehold property which has a carrying amount of S\$2.2 million as at 30 June 2019.
- (b) This loan is incurred with a charge over certain machinery.

## 12. Share capital

	30 June 2019 S\$'000 (Unaudited)	31 December 2018 S\$'000 (Audited)
Issued and fully paid:		
2,000,000,000 ordinary Shares	<b>900</b>	900

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

For the six months ended 30 June 2019, the Group recorded a growth in revenue by approximately S\$3.7 million or 46% from approximately S\$8.2 million for the six months ended 30 June 2018 to approximately S\$11.9 million for the six months ended 30 June 2019, mainly attributable to the opening of our new Sin Ming Autocity service centre which commenced operations in September 2017. However, the Group recorded a loss of approximately S\$0.8 million for the six months ended 30 June 2019 as compared to a loss of S\$2.0 million for the corresponding period in 2018. The decrease in loss was mainly attributable to increase in gross profit of approximately S\$1.6 million from approximately S\$4.1 million in 30 June 2018 to approximately S\$5.7 million in 30 June 2019. The increase in gross profit was partially offset by increase in employee benefits expenses by approximately S\$0.4 million as a result of increase in group headcount.

The Group is a leading automotive service provider in Singapore. We have over 16 years of experience in the passenger car service industry, and offer a comprehensive range of passenger car services including (i) maintenance and repair services; and (ii) modification, tuning and grooming services 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 body kits, to performance modifications including lowering the suspension of passenger cars and replacing the engine control unit. We also sell passenger car spare parts and accessories in Singapore and export to other countries, such as Malaysia, Indonesia, United Kingdom, PRC and Thailand.

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.

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

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

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

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## Outlook

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

According to the annual vehicle statistic report 2018 released by Land Transport Authority of Singapore (the "LTA"), the private hire and self-operated car services have increased from 16,396 cars in 2013 to 66,480 cars in 2018 where the total number of chauffeur-driven private-hire car increased from 614 cars in 2013 to approximately 45,342 cars in 2018.

On 28 November 2018, the Indonesia base ride-hailing firm Gojek announced its establishment in Singapore private hire car service market. The Singapore private-hire car industry is expected to grow and evolve further.

The above factors present an opportunity for the Group to increase its customer base, given that the private car owners will increasingly require maintenance and repair services.

Other initiatives include the launch of the first electric vehicle sharing service in December 2017 with 80 cars and 32 charging stations across the island. On 31 July 2018, the LTA has granted a full-fledged Taxi Service Operator Licence to operate at least 800 electric taxis within four years of receiving the licence, or by 31 July 2022. Currently, Grab operates the largest electric and hybrid vehicle fleet in South East Asia and 200 new electric vehicles has been acceded to its fleet since January 2019, making it became one of the largest electric vehicle fleet in Singapore. Looking ahead and analysing the broader market development, with the global push towards electrification of transport, the global electric car market will likely transition from early development to mass market adoption in the next 10 to 20 years.

The Group aims to continue to expand our customer base in the highly fragmented passenger car maintenance and repair market, by enhancing our servicing capacity, market reputation and service quality.

The Group will continue to 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; (iv) continue to pursue technological advancement in both repair equipment and new vehicle engine type; (v) continue to attract, train and retain skilled employees to support our future growth and expansion (vi) continue to expand and develop our new business in the PRC and (vii) forge stronger bonds with our customers, suppliers and working partners both in Singapore and PRC.

## Financial review

### Revenue

Revenue of our Group increased by approximately S\$3.7 million or approximately 46% from approximately S\$8.2 million for the six months ended 30 June 2018 to approximately S\$11.9 million for the six months ended 30 June 2019. This is mainly due to increases in both our maintenance and repair services and modification, tuning and grooming services and trading of spare parts segments as a result of the increased capacity and service offerings with the new Sin Ming Autocity service centre. Revenue generated from the subsidiaries in PRC also contributed to the increase.

### Cost of Materials

Cost of Materials of our Group increased by approximately S\$2.2 million or approximately 53% from approximately S\$4.1 million for the six months ended 30 June 2018 to approximately S\$6.3 million for the six months ended 30 June 2019. The increase in cost of materials is in line with increase in revenue during the period.

### Loss for the period

Our Group recorded a loss for the six months ended 30 June 2019 of approximately S\$0.8 million, while a loss of approximately S\$2.0 million was recorded for the six months ended 30 June 2018. The decrease in loss for the period was mainly attributable to increase in gross profit of approximately S\$1.6 million from approximately S\$4.1 million in 30 June 2018 to approximately S\$5.7 million in 30 June 2019. The increase in gross profit was partially offset by increase in employee benefits expenses by approximately S\$0.4 million as a result of increase in group headcount.

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## Liquidity, financial and capital resources

### Cash position

Our cash and bank balances amounted to approximately S\$2.0 million and S\$1.7 million as at 30 June 2019 and 31 December 2018, respectively. The functional currency of our Group is SGD. As at 30 June 2019, 97% of our Group's cash and bank balances was denominated in the functional currency (31 December 2018: 40%) and the remaining 3% (31 December 2018: 60%) in other currencies, mainly Hong Kong dollar and Renminbi.

Our Group's primary sources of funds during the period was cash from financing activities. Our Group had net cash used in operating activities of approximately S\$6,000. We had net cash used in investing activities of approximately S\$0.1 million from the purchase of property, plant and equipment.

### Gearing ratio

Gearing ratio is measured by interest-bearing bank and other borrowings divided by the total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratio is 0.4 times as at 30 June 2019 (31 December 2018: 0.3 times).

### Risk of exchange rate fluctuation

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

### Contingent liabilities

As at 30 June 2019, the Group had no material contingent liabilities (31 December 2018: nil).

### Charge on assets

The Group's short-term loan are secured by a legal mortgage of the Group's freehold property which had a carrying amount of approximately S\$2.2 million as at 30 June 2019 (31 December 2018: S\$2.3 million). Details of the Group's charge on assets as at 30 June 2019 are set out in Note 11 to the unaudited condensed consolidated financial statements.

### Employees and remuneration policy

As at 30 June 2019, the Group had a total number of 182 employees (30 June 2018: 94 employees) in Singapore and PRC. The remuneration packages of all employees are determined based on factors such as the employees' individual qualifications, contribution to the Group, performance and years of work experience.

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

### Events after the reporting period

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

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

As at 30 June 2019, 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 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.

## 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 six months ended 30 June 2019 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 of its associated corporations.

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

As at 30 June 2019, 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 the Company as at 30 June 2019 <sup>(1)</sup>
Mr. LI Jie	Beneficial owner	586,020,000	29.3%
Mdm. HAN Mei <sup>(2)</sup>	Interest of spouse	586,020,000	29.3%

Notes:

- (1) This is based on the total Shares in issue as at 30 June 2019, being 2,000,000,000.
- (2) Mdm. HAN Mei is the spouse of Mr. LI Jie ("Mrs. Li"). Under the SFO, Mrs. Li is deemed to be interested in the same number of Shares in which Mr. LI Jie is interested.

Save as disclosed above, as at 30 June 2019, 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.

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## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the date of this report, the Directors are not aware of any business or interest of the Directors nor the controlling Shareholders nor any of their respective close associates (as defined in GEM Listing Rules) 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 six months ended 30 June 2019.

## **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 six months ended 30 June 2019.

## **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 the date of this report.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct for securities transactions by Directors on terms as required by Rule 5.48 to 5.67 of the GEM Listing Rules ("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 during the six months ended 30 June 2019.



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

Save as disclosed above, the Directors consider that throughout the six months ended 30 June 2019, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.

## AUDIT COMMITTEE

The Group's interim results for the three months and six months ended 30 June 2019 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the interim results of the Group for the six months ended 30 June 2019 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. A meeting of the Audit Committee was held with the management of the Company for, amongst other things, reviewing the unaudited interim results of the Group for the three months and six months ended 30 June 2019.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any significant investment, material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2019.

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## DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019 (2018: Nil).

## 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. YAN Jianqiang**  
*Co-Chairman, Chief Executive Officer  
and Executive Director*

14 August 2019, Hong Kong

*As at the date of this report, the executive Directors are Mr. CHUA Boon Hou (CAI Wenhao), Mr. YAN Jianqiang and Mr. YUAN Guoshun, the non-executive Director is Mr. WU Tangqing; and the independent non-executive Directors are Mr. LEUNG Yiu Cho, Mr. ZHANG Guangdong and Mr. DENG Bin.*