Zheng Li Holdings Limited
正力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8283)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 GEM are generally small and mid-sized companies, there is a risk that securities traded on 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 GEM.

*This announcement, 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 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 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 herein or this announcement misleading.*

The board (the "**Board**") of Directors is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 together with the comparative audited figures for the year ended 31 December 2018. The annual results have been reviewed by the audit committee of the Company (the "**Audit Committee**") but have not been agreed with its auditors.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	**2019** *S$'000* **(unaudited)**	2018 *S$'000* (audited)
REVENUE	*2*	**22,603**	17,558
Other income and gains	*2*	**480**	383
Items of expense			
Cost of materials		**(12,078)**	(8,871)
Marketing and advertising expenses		**(122)**	(291)
Employee benefits expense		**(6,132)**	(5,741)
Depreciation of property, plant and equipment		**(1,889)**	(1,827)
Depreciation of right-of-use assets		**(1,064)**	—
Amortisation of intangible assets		**(45)**	(69)
Impairment losses on financial assets		**(163)**	9
Finance costs	*3*	**(312)**	(135)
Other expenses		**(2,403)**	(4,792)
LOSS BEFORE TAX	*4*	**(1,125)**	(3,776)
Income tax expense	*5*	**(2)**	(14)
LOSS FOR THE YEAR		**(1,127)**	(3,790)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,127)**	(3,790)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted (S$ cents per share)	*7*	**(0.06)**	(0.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	**2019** **S$'000** **(unaudited)**	2018 *S$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**7,172**	8,509
Right-of-use assets		**2,597**	—
Intangible assets		**509**	665
Financial assets at fair value through profit or loss		**454**	449
Prepayments, other receivables and other assets		**1,482**	62
Total non-current assets		**12,214**	9,685
CURRENT ASSETS			
Inventories	*8*	**911**	895
Trade receivables	*9*	**2,262**	1,799
Prepayments, other receivables and other assets		**3,672**	2,664
Prepaid tax		**171**	—
Cash and cash equivalents		**1,106**	1,718
Total current assets		**8,122**	7,076
CURRENT LIABILITIES			
Trade and other payables		**2,784**	3,582
Provisions		**—**	24
Interest-bearing bank and other borrowings	*11*	**3,167**	941
Contract liabilities		**2,367**	1,102
Tax payable		**—**	27
Total current liabilities		**8,318**	5,676
NET CURRENT (LIABILITIES)/ASSETS		**(196)**	1,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,018**	11,085
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*11*	**2,781**	1,590
Trade and other payables		**857**	—
Provisions		**527**	565
Contract liabilities		**603**	647
Deferred tax liabilities		**12**	48
Total non-current liabilities		**4,780**	2,850
Net assets		**7,238**	8,235
EQUITY			
Equity attributable to owners of the parent			
Share capital		**900**	900
Reserves		**6,338**	7,335
Total equity		**7,238**	8,235

NOTES TO THE FINANCIAL STATEMENTS

1.1 CORPORATE AND GROUP INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 17 March 2016. The registered office of the Company is at the offices of Estera Trust (Cayman) Limited, 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 9/F., Wah Yuen Building, 149 Queen's Road Central, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were involved in the following principal activities:

- maintenance and repair of passenger cars
- modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories
- provision of motor finance services
- provision of a sales-integrated service platform
- trading of passenger cars

1.2 BASIS OF PREPARATION

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

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

The unaudited financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Group will continue to be in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of business. For the year ended 31 December 2019, the Group reported a net loss of S$1,127,000 and an accumulated deficit of S$6,657,000. At 31 December 2019, the Company had S$1,106,000 in cash and net current liabilities of S$196,000.

Based on the Group's future operating cash flows and loan renewal after the reporting period, the Group will produce sufficient working capital to fund its operations in the foreseeable future. There is no material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

Except for the amendments to IFRS 9, IAS 19 and IAS 28, and Annual Improvements to IFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for one elective exemption for leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *S$'000*
Assets	
Right-of-use assets	3,661
Total assets	3,661
Liabilities	
Interest-bearing bank and other borrowings	3,718
Trade and other payables	(57)
Total liabilities	3,661

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	S$'000
Operating lease commitments as at 31 December 2018	1,796
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(120)
Add: Payments for optional extension periods not recognised as at 31 December 2018	2,289
	3,965
Weighted average incremental borrowing rate as at 1 January 2019	3.39%
Discounted operating lease commitments as at 1 January 2019	3,718
Add: Finance lease liabilities recognised as at 31 December 2018	1,014
Lease liabilities as at 1 January 2019	4,732

(b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

1.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

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

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the HKICPA in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 clarify the criteria for determining a liability as non-current. The amendments states that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date, and the classification is unaffected by the likelihood that an entity will exercise its deferral right. The Group expects to adopt the amendments prospectively from 1 January 2022. The amendments are not expected to have any significant impact on the Group's financial statements.

2. REVENUE, OTHER INCOME AND GAINS AND SEGMENT REPORTING

(a) Revenue, Other Income and Gains

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

An analysis of revenue, other income and gains is as follows:

	2019	2018
	S$'000	*S$'000*
Revenue		
Revenue from contracts with customers	**22,603**	17,558
Other income and gains		
Government grants*	**78**	72
Rental income	**182**	149
Commission income from sales of passenger cars	**28**	52
Administrative income	**69**	34
Fair value gain on a financial asset at fair value through profit or loss	**5**	16
Reversal of provision for warranty	**24**	26
Others	**94**	34
	480	383

* The amount mainly represents rewards or subsidies under the Productivity and Innovation Credit Scheme and the Wage Credit Scheme which were received from the Singapore government. There are no unfulfilled conditions or contingencies relating to these grants.

(b) Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

i. The maintenance and repair services segment relates to the repair of manufacturer's defects, replacement of parts due to wear and tear, or repair of damage resulting from accidents. Maintenance and repair services are typically charged based on the labour time and cost of parts incurred.

ii. The modification, tuning and grooming services and trading of spare parts and accessories segment relates to the modification, tuning and grooming of the performance or appearance of passenger cars and the trading of spare parts and accessories.

iii. The "others" segment comprises, principally, the provision of motor finance services, provision of a sales-integrated service platform, and trading of passenger cars.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss which in certain respects, as explained in the tables below, is measured differently from the financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expense and income comprise expenses and other sources of income which are not directly attributable to the identified segments.

Intersegment sales and transfers are on terms' agreement in a manner similar to transactions with third parties at the then prevailing market prices. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Information about major customers

Since none of the Group's sales to a single customer accounted for 10% or more of the Group's total revenue during the year, no major customer information is presented in accordance with IFRS 8.

Operating Segment

Year end 31 December 2019	**Maintenance and repair services** *$'000*	**Modification, tuning and grooming services and trading of spare parts and accessories** *$'000*	**Others** *$'000*	**Adjustments and eliminations** *$'000*	**Total** *$'000*
Revenue:					
External customers	**15,343**	**4,847**	**2,413**	**—**	**22,603**
Intersegment	**129**	**76**	**—**	**(205)**	**—**
	15,472	**4,923**	**2,413**	**(205)**	**22,603**
Results:					
Cost of materials	**(7,155)**	**(3,513)**	**(1,527)**	**117**	**(12,078)**
Marketing and advertising expenses	**(93)**	**(14)**	**(15)**	**—**	**(122)**
Employee benefits expense	**(4,345)**	**(776)**	**(630)**	**—**	**(5,751)**
Depreciation and amortisation expense	**(2,650)**	**(339)**	**(4)**	**221**	**(2,772)**
Allowance for trade receivables	**(57)**	**(106)**	**—**	**—**	**(163)**
Other expenses	**(1,272)**	**(298)**	**(346)**	**181**	**(1,735)**
Segment losses	**(100)**	**(123)**	**(109)**	**314**	**(18)**
Unallocated other expenses					**(668)**
Unallocated other income and gains					**480**
Unallocated depreciation and amortisation of other assets					**(226)**
Unallocated employee benefits expense					**(381)**
Unallocated finance costs					**(312)**
Loss before tax					**(1,125)**
Tax expense					**(2)**
Loss for the year					**(1,127)**

Year end 31 December 2018	Maintenance and repair services *$'000*	Modification, tuning and grooming services and trading of spare parts and accessories *$'000*	Others *$'000*	Adjustments and eliminations *$'000*	Total *$'000*
Revenue:					
External customers	13,599	3,564	395	—	17,558
Intersegment	172	78	—	(250)	—
	13,771	3,642	395	(250)	17,558
Results:					
Cost of materials	(6,750)	(2,327)	(44)	250	(8,871)
Marketing and advertising expenses	(211)	(15)	(63)	—	(289)
Employee benefits expense	(4,421)	(744)	(56)	—	(5,221)
Depreciation and amortisation expense	(1,652)	(176)	(16)	—	(1,844)
(Allowance for)/reversal of trade receivables	(37)	46	—	—	9
Other expenses	(2,872)	(995)	(163)	338	(3,692)
Segment profit/(loss)	(2,172)	(569)	53	338	(2,350)
Unallocated other expenses					(1,102)
Unallocated other income and gains					383
Unallocated depreciation and amortisation of other assets					(52)
Unallocated employee benefits expense					(520)
Unallocated finance costs					(135)
Loss before tax					(3,776)
Tax expense					(14)
Loss for the year					(3,790)

Geographical information

Revenue

	2019 ***S$'000***	2018 *S$'000*
Geographical information		
Singapore	**17,848**	17,163
Mainland China	**4,091**	395
Other Asia-Pacific countries	**664**	—
	22,603	17,558

3. FINANCE COSTS

	2019	2018
	S$'000	*S$'000*
Interest expenses		
— Finance lease	**—**	52
— Term loans	**125**	61
— Lease liabilities	**147**	—
Bank charges	**40**	22
	312	135

4. LOSS BEFORE TAX

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

	2019	2018
	S$'000	*S$'000*
Depreciation of property, plant and equipment	**1,889**	1,827
Amortisation of intangible assets	**45**	69
Amortisation of intangible assets included in cost of sales	**169**	—
Depreciation of right-of-use assets	**1,064**	—
Auditors' remuneration	**256**	217
Minimum lease payments under operating leases	**—**	1,367
Lease payments not included in the measurement of lease liabilities	**195**	—
Staff costs (excluding directors' and chief executive's remuneration)	**5,710**	4,993
Impairment losses on trade receivables	**163**	(9)
(Reversal of write-off)/write-off of trade receivables	**(33)**	81
Foreign exchange losses	**45**	46
Allowance for inventory obsolescence	**107**	11
Loss on disposal of property, plant and equipment	**17**	113
Impairment loss on deposits	**—**	210

5. INCOME TAX

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 during the year.

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

	2019	2018
	S$'000	*S$'000*
Current income tax		
— Current year	**42**	15
— Overprovision in respect of prior years	**(3)**	—
	39	15
Deferred tax		
— Current year	**(17)**	10
— Overprovision in respect of prior years	**(20)**	(11)
	(37)	(1)
Tax expense for the year	**2**	14

A reconciliation of the tax expense applicable to loss before tax at the statutory/applicable rates for the countries or jurisdictions in which the Company's subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2019		2018	
	S$'000	*%*	*S$'000*	*%*
Loss before tax	**(1,125)**		(3,776)	
Tax at the statutory tax rate	**5**	**(0.44)**	(637)	16.87
Income not subject to tax	**(1)**	**0.09**	(4)	0.11
Expenses not deductible for tax	**296**	**(26.31)**	479	(12.69)
Tax losses not recognised	**260**	**(23.11)**	194	(5.14)
Effect of partial tax exemption and tax relief	**(508)**	**45.16**	(4)	0.11
Overprovision of income tax in prior years	**(3)**	**0.27**	—	—
Overprovision of deferred tax in prior years	**(20)**	**1.78**	(11)	0.29
Utilisation of previously unutilised losses	**(24)**	**2.13**	—	—
Others	**(3)**	**0.27**	(3)	0.08
Tax charge at the Group's effective rate	**2**	**(0.18)**	14	(0.37)

6. DIVIDENDS

There were no dividends paid or payable for the year ended 31 December 2019 (2018: Nil).

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

As at 31 December 2019, the Company had 20,000,000,000 ordinary shares in issue. The Company was listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange of Hong Kong Limited on 8 November 2016 by way of placing of 125,000,000 new shares and capitalisation of 375,000,000 shares, resulting in 500,000,000 ordinary shares in issue. The number of shares of the Company was subdivided into four subdivided shares from 500,000,000 ordinary shares to 2,000,000,000 ordinary shares on 4 April 2019.

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

	2019	2018
	S$'000	*S$'000*
Loss		
Loss for the year attributable to the ordinary equity holders of the parent	**(1,127)**	(3,790)

	2019	2018
	S$'000	*S$'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**20,000,000**	20,000,000

Basic loss per share for the year ended 31 December 2019 is S$0.06 cents (2018: S$0.19 cents).

No adjustment has been made to the basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

8. INVENTORIES

	2019	2018
	S$'000	*S$'000*
Spare parts and accessories	**1,294**	1,211
Motor vehicles	**40**	—
Less: provision for inventory obsolescence	**(423)**	(316)
	911	895

Inventories are stated net of allowance for inventory obsolescence of S$423,000 as at 31 December 2019 (2018: S$316,000). During the year ended 31 December 2019, allowance for inventory obsolescence amounting to S$107,000 (2018: S$11,000) was recognised.

9. TRADE AND OTHER RECEIVABLES AND OTHER ASSETS

	2019	2018
	S$'000	*S$'000*
Trade receivables	**2,707**	2,114
Impairment	**(445)**	(315)
	2,262	1,799

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

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

The movements of the allowance accounts used to record the impairment are as follows:

	2019	2018
	S$'000	*S$'000*
At beginning of year	**315**	333
Impairment losses/(reversal of impairment losses), net *(note 4)*	**163**	(9)
Reversal of write-off of trade receivables, net	**(33)**	(9)
At end of year	**445**	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.

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

As at 31 December 2019

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
	S$'000	***S$'000***	***S$'000***	***S$'000***	***S$'000***
Gross carrying amount (S$'000)	**934**	**443**	**542**	**788**	**2,707**
Expected credit losses (S$'000)	**—**	**—**	**—**	**(445)**	**(445)**
	934	**443**	**542**	**343**	**2,262**

As at 31 December 2018

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

10. TRADE AND OTHER PAYABLES

	2019	2018
	S$'000	*S$'000*
Trade payables	**992**	1,036
Other payables	**739**	1,725
Deposits received from customers	**184**	—
Accrued expenses	**862**	799
Amount due to a shareholder*	**857**	—
Amount due to a related company	**—**	22
	3,641	3,582
Analysed into:		
Payable within one year	**2,782**	3,582
Payable within second to third year	**857**	—
	3,641	3,582

* The amount mainly represents non-interest-bearing capital provided to the Group from a shareholder, which is due in 2022.

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

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

	2019	2018
	S$'000	*S$'000*
Less than 30 days	**956**	759
30-60 days	**8**	220
61-90 days	**6**	18
91-120 days	**1**	2
More than 120 days	**21**	37
	992	1,036

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019		1 January 2019	31 December 2018	
	Maturity	*S$'000*	*S$'000*	*Maturity*	*S$'000*
Current					
Lease liabilities	**2020**	**1,329**	1,483	2019	247
Term loans:					
— S$ loan from a related company at 6% per annum *(note a)*	**—**	**—**	184	2019	184
— S$ loan at 5% per annum on daily rest	**—**	**—**	344	2019	344
— S$ loan at 4% per annum on daily rest *(note b)*	**2020**	**158**	166	2019	166
— S$ loan at 7% per annum on daily rest *(note c)*	**2020**	**1,680**	—	—	—
		3,167	2,177		941
Non-current					
Lease liabilities	**2021-2024**	**2,781**	3,249	2020-2023	767
Term loans:					
— S$ loan from a related company at 6% per annum *(note a)*	**—**	**—**	665	2023	665
— S$ loan at 4% per annum on daily rest *(note c)*	**—**	**—**	158	2019-2020	158
		2,781	4,072		1,590
Total		**5,948**	6,249		2,531

	2019	2018
	S$'000	*S$'000*
Analysed into:		
Within one year	**3,167**	941
In the second year	**1,231**	583
In the third to fifth years	**1,550**	1,007
	5,948	2,531

Notes:

(a) These term loans of the Group have been fully repaid during the year.

(b) These loans are incurred to finance the procurement of certain machinery of the Group.

(c) This loan is secured by way of corporate guarantees provided by a subsidiary of the Company and a legal mortgage of the Group's freehold property which had a carrying amount of S$2,219,000 as at 31 December 2019.

(d) All borrowings are in Singapore dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continued to maintain its position as a leading passenger car service provider in Singapore in 2019. Revenue increased by approximately S$5.0 million or 28.7 % from approximately S$17.6 million for the year ended 31 December 2018 to approximately S$22.6 million for the year ended 31 December 2019 mainly due to the increase in revenue from both Singapore and China markets.

While the Group recorded a higher revenue in 2019 as compared to 2018, the Group has recorded a loss for the year ended 31 December 2019 of approximately S$1.1 million compared to a loss of approximately S$3.8 million recorded for the year ended 31 December 2018.

The decrease in loss was mainly due to (i) the increase in revenue from both Singapore and China markets mentioned above; (ii) a decrease in operating lease expense of approximately S$1.4 million as a results of adoption of IFRS 16 adjustments; (iii) decrease in marketing and distribution expenses by approximately S$0.2 million and (iv) decrease in professional and consultation fee by approximately S$0.5 million.

The decrease in loss was partially offset by (i) an increase in cost of materials by approximately S$3.2 million, which was in line with increase in revenue; (ii) increase in employee benefit expense by approximately S$0.4 million as a result of increase in headcounts from our subsidiaries in China; (iii) increase in depreciation of right-of-use assets by approximately $1.1 million as a result of adoption of IFRS 16 adjustments.

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. Our passenger car services in Singapore mainly include (i) maintenance and repair services and (ii) modification, tuning and grooming services. These two services contributed approximately 89% or S$20.2 million of total revenue in 2019 (2018: 98% or S$17.2 million) and will continue to be a key focus of the Group. 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, China and Thailand.

We have also penetrated into China automobiles industry since the third quarter of 2018. Our new businesses in China primarily engage in timeshare car rental and long-term car rental. The management is committed to developing the "Internet +" car sharing and rental market in China. Besides, we are also providing our customers with an innovative car rental and sales integrated service platform which covers car sales and car rental service. Our revenue generated from subsidiaries in China saw a positive growth from approximately S$0.4 million in 2018 to approximately S$2.3 million in 2019. These new businesses will continue to 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.

OUTLOOK

On 13 November 2019, one of our subsidiaries in China, 鄭州車主角汽車銷售有限公司 (Zhengzhou Car Zhujiao Car Sales Limited*) ("Car Zhujiao") entered into a strategic cooperation agreement (the "SCA 1") with 元寶淘車（蕪湖）新能源汽車科技有限公司 (Yuanbao Taoche (Wuhu) New Energy Source Automotive Technology Limited)("Yuanbao Taoche") and commenced thorough discussions on the sale of automobiles and service market. Pursuant to the SCA 1, Car Zhujiao officially participated in the service certification system of Yuanbao Taoche, which allows the full utilization of the strengths of the sales and after-sales service market of the new energy automobiles and maximizes the benefit of resources. The parties, with a focus on the demand of consumers, will join hands to develop smart retail of automobiles and the after-sales service market of automobiles and build the new model of "Sale + Service", so as to achieve business synergy in the sales of automobile, automobile finance and insurance, after-sales service market of second-hand automobiles in the new energy automobiles sector.

On 8 January 2020, Car Zhujiao and 樂山易通天下網絡科技有限公司 (Leshan Yitong Tianxia Network Technology Limited*) ("Leshan Yitong") commenced thorough discussions on the sale of automobiles and car-hailing travel market and entered into a strategic cooperation framework agreement ("SCFA"). Pursuant to the SCFA, the parties, with extensive experience and abundant resources in their respective fields, will strengthen their advantages in resource integration through strategic cooperation and establish a strong alliance in the field of automotive and mobility, so as to achieve mutual benefits in these areas such as sale of automobiles, travel operations, car financing and branding and to create greater business value for the cooperation between the parties to achieve a leap-forward development.

The cooperation with Yuanbao Taoche and Leshan Yitong will facilitate Car Zhujiao to achieve the goal of establishing an intelligent integrated service platform for new energy automobiles in China and expand its business from sale of new energy automobile to the field of general travel.

With an innovative concept of platform operation, Car Zhujiao provides its customers with an innovative and integrated service platform of car renting, covering car sales, car financing service, car rental service and car insurance service. Automobiles will be its core products and through an innovative marketing strategy of financialized consumption, so as to establish a new owners club of “people + car + living”.

On 8 January 2020, Car Zhujiao and 中青沃凱汽車有限公司 (Zhongqing Wokai Automobile Company Limited*) (“Zhongqing Wokai”) entered into a strategic cooperation agreement (“the SCA 2”). Pursuant to the SCA 2, to satisfy the increasing demand of the middle class of China for self-driving tours, the parties, with extensive experience and abundant resources in their respective fields, will strengthen their cooperation in various aspects such as research and development of new-energy driven sedans and campervans, and operation and management of self-driving tours and leisure travels in camp-sites, etc., so as to maximize the commercial value of mutual cooperation and achieve quantum leap for development. The cooperation with Zhongqing Wokai will facilitate Car Zhujiao to extend its reach from the sales of new energy automobiles to the self-driving tour field in China.

On 18 February 2020, Land Transport Authority of Singapore (“**LTA**”) announced that under the Land Transport Master Plan 2040, Singapore will embark on a vision to have all vehicles run on cleaner energy by 2040. As part of Budget 2020, the Singapore government is introducing measures to facilitate adoption of electric vehicles, which is one of the cleanest and lowest-emission vehicular technologies available today. The move to phase out internal combustion engines car to electric car by 2040 may not have any significant impact to the Group’s business in Singapore in the next decade as petrol-driven cars still make up the majority of cars on the road.

Based on LTA’s statistic as at 31 December 2019, they were only 1,120 fully electric cars on the road or just 0.18 per cent of the total car population in Singapore and majority were owned by car-sharing firm BlueSG, ride-hailing giant Grab and HDT, another all-electric taxi fleet operator in Singapore. One of the reasons for lack of popularity of electric vehicles in Singapore is due to unavailability of home charging for car owner except landed property residents with their own car park space while majority of Singapore local residents are staying in high rise apartments. Currently there are only about 1,600 charging points in Singapore.

In preparation for the market developments, the Group will continue to pursue technological advancement in both repair equipment and new vehicle engine type to ensure that our technicians continuously upgrade their skills and technical knowledge in order for them to be able to service a wide range of brands of passenger cars which drives the future development of the car maintenance and repair market in Singapore.

Moving forward, the Group will be continuing focus on maintaining its leading position in the Singapore passenger car market by retaining existing customers and also acquiring more new customers to increase our market shares through customer retention program such as bundle deals and loyalty points for redemption of vouchers and services. The management will continue to forge stronger bonds with our customers, suppliers and working partners and expand our service and product offerings as customer demands and trends shift in both Singapore and China markets.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by approximately S$5.0 million or 28.7% from approximately S$17.6 million for the year ended 31 December 2018 to approximately S$22.6 million for the year ended 31 December 2019. The increase in revenue was a result of the higher capacity and/or range of services from both Singapore and China markets.

Cost of Materials

Cost of materials increased by approximately S$3.2 million or 36.2% from approximately S$8.9 million for the year ended 31 December 2018 to approximately S$12.1 million for the year ended 31 December 2019. The increase in cost of materials was in line with increase in revenue.

Employee Benefits Expense

Employee benefits expense increased by approximately S$0.4 million from approximately S$5.7 million for the year ended 31 December 2018 to approximately S$6.1 million for the year ended 31 December 2019. The increase in employee benefits expense was a result of increase in headcounts from our subsidiaries in China.

Depreciation of Right-of-Use Assets

The Group has recorded a depreciation of right-of-use assets amounting to approximately S$1.1 million for the year ended 31 December 2019 (2018: Nil) as a result of adoption of IFRS 16 for lease contracts entered into or changed on or after 1 January 2019.

Other Expenses

Other expenses decreased by approximately S$2.4 million from approximately S$4.8 million for the year ended 31 December 2018 to approximately S$2.4 million for the year ended 31 December 2019.

The decrease in other expenses was mainly due to decrease in operating lease expense of approximately S$1.4 million as a result of adoption of IFRS 16 adjustments and decrease in professional and consultation fee by approximately S$0.5 million.

Loss for the Year

The loss for the year decreased by approximately S$2.7 million from approximately a loss of S$3.8 million for the year ended 31 December 2018 to approximately a loss of S$1.1 million for the year ended 31 December 2019.

The decrease in loss was mainly due to (i) an increase in revenue by approximately S$5.0 million of which approximately S$3.1 million and S$1.9 million were generated from subsidiaries in Singapore and China respectively; (ii) a decrease in operating lease expense of approximately S$1.4 million as a results of adoption of IFRS 16 adjustments; (iii) decrease in marketing and distribution expenses by approximately S$0.2 million; and (iv) decrease in professional and consultation fee by approximately S$0.5 million.

The decrease in loss was partially offset by (i) an increase in cost of materials by approximately S$3.2 million, which was in line with increase in revenue; (ii) increase in employee benefit expense by approximately S$0.4 million as a result of increase in headcounts from our subsidiaries in China; and (iii) increase in depreciation of right-of-use assets by approximately $1.1 million as a result of adoption of IFRS 16 adjustments.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

The cash and bank balances amounted to approximately S$1.1 million and S$1.7 million as at 31 December 2019 and 2018 respectively. The functional currency of the Group is the Singapore dollar. As at 31 December 2019, 98.8% of the Group's cash and bank balances was denominated in the functional currency (31 December 2018: 40.0%) and the remaining 1.2% (31 December 2018: 60.0%) in other currencies, mainly the Hong Kong dollar and Renminbi.

The Group had net cash flows used in operating activities of approximately S$0.8 million mainly due to an increase in trade receivables, prepayment, other receivables and other assets and a decrease in trade and other payables.

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 was 0.8 as at 31 December 2019 (31 December 2018: 0.3).

Risk of Exchange Rate Fluctuation

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

Charge on Assets

As at 31 December 2019, the Group's long term loans were secured by a legal mortgage of the Group's freehold property which had a carrying amount of approximately S$2.2 million (2018: approximately S$2.3 million).

Employees and Remuneration Policy

As at 31 December 2019, the Group had a total number of 180 full-time employees (31 December 2018: 94). The remuneration packages of all employees are determined based on factors such as the employees' individual qualifications, contribution to the Group, performance and years of work experience. The Group provides ongoing training to the staff in order to enhance their technical skills and product knowledge and to provide them with updates with regards to industry quality and work safety standards.

Significant Investment, Material Acquisitions or Disposal of Subsidiaries, Associates and Joint Ventures

Except on disclosed herein, the Group did not have any significant investments during the year ended 31 December 2019 and did not have any material acquisition and disposal of subsidiary, associates or joint ventures during the year ended 31 December 2019.

Future Plans for Material Investments or Capital Assets and Expected Sources of Funding

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

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2019 (2018: Nil).

Events after the Reporting Period

On 13 January 2020, the Group renewed its term loan with Funding Societies Pte Ltd of S$1,680,000 to January 2021.

CORPORATE GOVERNANCE PRACTICES

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

Save as disclosed above, the Directors consider that throughout the year ended 31 December 2019, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**"). The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code for the year ended 31 December 2019.

PURCHASES, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

The Company or any of its subsidiaries has not purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

FINAL DIVIDEND

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

AUDIT COMMITTEE

The Audit Committee was established on 21 October 2016 with written terms of reference which were revised and adopted on 15 March 2019 in compliance with Rule 5.29 of the GEM Listing Rules and the CG Code. The Audit Committee has three members, namely Mr. LEUNG Yiu Cho, Mr. ZHANG Guangdong and Mr. CHEN Huichun, each of whom is an independent non-executive Director.

The Audit Committee and the Board had reviewed the unaudited consolidated financial results of the Group for the year ended 31 December 2019.

DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS AND DELAY IN DESPATCH OF THE ANNUAL REPORT

Due to the recent COVID-19 coronavirus outbreak, the Company's auditing process for the year ended 31 December 2019 had been disrupted and not yet completed, in particular, due to the delay in obtaining certain audit evidence. These unaudited annual results for the year ended 31 December 2019 contained herein have not been agreed with the Company's auditors but have been reviewed by the Audit Committee.

It is currently expected that the audited annual results will be agreed with its external auditors, Ernst & Young, by 17 April 2020. Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited annual results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

PUBLICATION OF THE UNAUDITED ANNUAL RESULTS AND ANNUAL REPORT

The unaudited annual results announcement is published on websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zhengliholdings.com). Any further announcement(s) relating to the Company's annual results will also be published on the same websites in due course. The 2019 annual report of the Company containing all the information as required by the GEM Listing Rules will be despatched to the shareholders and made available for review in the same websites in due course.

The financial information contained herein in respect of the annual results of the Group has not been audited and has not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2020

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. CHEN Huichun.

This announcement, for which the Directors 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 herein or 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 for at least seven days from the date of its publication. This announcement will also be published on the website of the Company at www.zhengliholdings.com.