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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)

2020 INTERIM RESULTS ANNOUNCEMENT AND RESUMPTION OF TRADING

2020 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 (collectively the “**Group**”) for the six months ended 30 June 2020. This announcement, containing the full text of the 2020 interim report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of interim results.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been halted from 9:00 a.m. on Monday, 17 August 2020 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:00 a.m. on Thursday, 27 August 2020.

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

Hong Kong, 26 August 2020

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

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 GEM website at www.hkgem.com 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.

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.

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 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 and all opinions expressed in the report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This report will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least seven days from the date of its posting. This report will also be published on the website of the Company at www.zhengliholdings.com.



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. YAN Jianqiang
(Co-Chairman and Chief Executive Officer)
Mr. WU Tangqing *(re-designated and appointed as
Co-Chairman on 7 April 2020)*
Mr. CHUA Boon Hou (CAI Wenhao)

NON-EXECUTIVE DIRECTOR

Mr. YUAN Guoshun *(re-designated on 7 April 2020)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Yiu Cho
Mr. ZHANG Guangdong
Mr. CHEN Huichun

AUDIT COMMITTEE

Mr. LEUNG Yiu Cho *(Chairman)*
Mr. CHEN Huichun
Mr. ZHANG Guangdong

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. ZHANG Guangdong *(Chairman)*
Mr. CHEN Huichun
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, FCIS, FCS

AUTHORISED REPRESENTATIVES

Mr. CHUA Boon Hou (CAI Wenhao)
Mr. WONG Cheung Ki Johnny, FCPA, FCIS, FCS

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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PRINCIPAL PLACE OF BUSINESS AND HEADQUARTER IN SINGAPORE

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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

INTERIM RESULTS

The board of Directors (the "Board") of the Company is pleased to report the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 June 2020 together with the unaudited comparative figures for the corresponding period in the year 2019.

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

For the three months and six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
REVENUE	3	4,182	6,457	10,269	11,936
Other income and gains		626	42	698	98
Items of expense					
Cost of materials		(2,435)	(3,438)	(5,935)	(6,290)
Marketing and advertising expenses		(17)	(31)	(62)	(77)
Employee benefits expense		(1,619)	(1,851)	(2,905)	(3,230)
Depreciation of property, plant and equipment		(450)	(464)	(913)	(930)
Depreciation of right of use assets		(259)	–	(525)	–
Amortisation of intangible assets		(22)	(30)	(48)	(62)
Finance costs		(74)	(40)	(188)	(106)
Other expenses		(338)	(993)	(764)	(1,929)
(Loss) before tax	4	(406)	(348)	(373)	(590)
Income tax expense	5	(39)	(78)	(39)	(160)
(Loss) for the period		(445)	(426)	(412)	(750)
OTHER COMPREHENSIVE INCOME					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		(3)	–	(3)	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(448)	(426)	(415)	(750)
Loss attributable to:					
Owners of the parent		(445)	(426)	(412)	(750)
Total comprehensive loss attributable to:					
Owners of the parent		(448)	(426)	(415)	(750)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
– Basic and diluted (S\$ cents per share)	7	(0.02)	(0.02)	(0.02)	(0.04)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 S\$'000 (Unaudited)	31 December 2019 S\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	8	6,267	7,172
Right-of-use assets		2,521	2,597
Intangible assets		484	509
Financial assets at fair value through profit or loss		454	454
Prepayments, other receivables and other assets		1,840	1,482
Total non-current assets		11,566	12,214
CURRENT ASSETS			
Inventories		1,061	861
Trade and other receivables	9	1,030	2,262
Prepayments, other receivables and other assets		3,643	3,672
Prepaid tax		246	171
Cash and cash equivalents		3,025	1,106
Total current assets		9,005	8,072
CURRENT LIABILITIES			
Trade and other payables	11	3,596	2,844
Provisions		–	–
Interest-bearing bank and other borrowings	12	3,008	3,167
Contract liabilities		2,312	2,055
Tax payable		63	–
Total current liabilities		8,979	8,066
NET CURRENT ASSETS		26	6
TOTAL ASSETS LESS CURRENT LIABILITIES		11,592	12,220
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	2,598	2,781
Trade and other payables		849	857
Provisions		527	527
Contract liabilities		905	915
Deferred tax liabilities		–	12
Total non-current liabilities		4,879	5,092
Net assets		6,713	7,128
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	900	900
Reserves		5,813	6,228
Total equity		6,713	7,128

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital S\$'000	Share premium S\$'000	Other capital reserve S\$'000	Merger reserve S\$'000	Accumulated losses S\$'000	Foreign currency translation reserve S\$'000	Total equity S\$'000
At 1 January 2019 (audited)	900	8,982	–	3,884	(5,530)	(1)*	8,235
Loss for the period	–	–	–	–	(750)	–	(750)
Total comprehensive loss for the period	–	–	–	–	(750)	–	(750)
At 30 June 2019 (unaudited)	900	8,982	–	3,884	(6,280)	(1)*	7,485
At 1 January 2020 (audited)	900	8,982	126	3,884	(6,767)	3	7,128
Loss for the period	–	–	–	–	(412)	(3)	(415)
Total comprehensive loss for the period	–	–	–	–	(412)	(3)	(415)
At 30 June 2020 (unaudited)	900	8,982	126	3,884	(7,179)	–*	6,713

* Amount less than S\$1,000

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Net cash from/(used in) operating activities	2,460	(6)
Net cash (used in) investing activities	(202)	(112)
Net cash from financing activities	(339)	410
Net increase in cash and cash equivalents	1,919	292
Cash and cash equivalents at beginning of the period	1,106	1,718
Cash and cash equivalents at end of the period	3,025	2,010

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended 30 June 2020

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 Ocorian 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.

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

2. Basis of preparation

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

The Group has adopted all the new and revised IFRSs that effective on 1 January 2019 and 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 since last financial year end.

The unaudited condensed consolidated 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. The unaudited condensed consolidated 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 Company and its subsidiaries for the three months and six months ended 30 June 2020. 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.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. Revenue

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

	Three months ended 30 June		Six months ended 30 June	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Revenue from contracts with customers	4,182	6,457	10,269	11,936

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	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Depreciation of property, plant and equipment	450	464	913	930
Amortisation of intangible assets	22	30	48	62
Depreciation of right-of-use assets	259	–	525	–
Minimum lease payments under operating leases	–	290	–	575
Staff costs (excluding directors' and chief executive's remuneration)	1,358	1,551	2,589	3,063
Foreign exchange losses	16	26	28	35

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 during the period.

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

	Three months ended 30 June		Six months ended 30 June	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Current income tax – Current period	39	78	39	160
Tax expense for the period	39	78	39	160

6. Dividends

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: Nil).

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

As at 30 June 2020, 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	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Loss				
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(448)	(426)	(415)	(750)

	Three months ended 30 June		Six months ended 30 June	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)	2020 '000 (Unaudited)	2019 '000 (Unaudited)
Number of Shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	2,000,000	2,000,000	2,000,000	2,000,000

Basic loss per share for the six months ended 30 June 2020 is S\$(0.02) cents (2019: S\$(0.04) cents).

8. Property, plant and equipment

During the six months ended 30 June 2020, the Group did not acquire any plant and equipment (six months ended 30 June 2019: S\$0.1 million). There is no write off/disposal of plant and equipment for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

9. Trade and other receivables

	30 June 2020 S\$'000 (Unaudited)	31 December 2019 S\$'000 (Audited)
Trade receivables	1,412	2,707
Impairment	(382)	(445)
Trade receivables, net	1,030	2,262

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:

	30 June 2020 S\$'000 (Unaudited)	31 December 2019 S\$'000 (Audited)
At beginning of the year	445	315
Impairment losses/(reversal of impairment losses)	(63)	163
Reversal of write-off of trade receivables, net	-	(33)
At end of the period/year	382	445

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 30 June 2020

	Current S\$'000	Past due			Total S\$'000
		Less than 1 month S\$'000	1 to 3 months S\$'000	Over 3 months S\$'000	
Gross carrying amount	527	274	175	436	1,412
Expected credit losses	-	-	-	(382)	(382)
	527	274	175	54	1,030

As at 31 December 2019

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

10. Prepayments, other receivables and other assets

	30 June 2020 S\$'000 (Unaudited)	31 December 2019 S\$'000 (Audited)
Non-current		
Prepayments	106	104
Loans receivables from third parties*	1,734	1,378
	1,840	1,482
Current		
Prepayments	1,185	1,520
Other receivables	351	140
Deposits**	607	1,746
Loans receivables from third parties*	1,500	266
	3,643	3,672

* The amount mainly represents interest-bearing S\$ loans provided to customers for the purchase of vehicles.

** The amount mainly represents deposits paid for the purchase of vehicles on behalf of customers.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 June 2020 and 31 December 2019, the loss allowance was assessed to be minimal.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses of loan receivables from third parties. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., age). 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.

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

	30 June 2020 S\$'000 (Unaudited)	31 December 2019 S\$'000 (Audited)
Gross carrying amount	3,234	1,644
Expected credit losses	–	–
	3,234	1,644

11. Trade and other payables

	30 June 2020 S\$'000 (Unaudited)	31 December 2019 S\$'000 (Audited)
Non-current		
Amount due to a shareholder*	849	857
Current		
Trade payables	715	992
Other payables	1,456	739
Deposits received from customers	181	184
Accrued expenses	1,244	929
	3,596	2,844

* The amount mainly represents non-interest-bearing financial support 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:

	30 June 2020 S\$'000 (Unaudited)	31 December 2019 S\$'000 (Audited)
Less than 30 days	694	956
30–60 days	6	8
61–90 days	3	6
91–120 days	1	1
More than 120 days	11	21
	715	992

12. Interest-bearing bank and other borrowings

	30 June 2020		31 December 2019	
	Maturity	S\$'000 (Unaudited)	Maturity	S\$'000 (Audited)
Current				
Lease liabilities	2020	927	2020	1,329
Term loans:				
– S\$ loan at 4% per annum on daily rest (note a)	2020	401	2020	158
– S\$ loan at 7% per annum on daily rest (note b)	2020	1,680	2020	1,680
		3,008		3,167
Non-current				
Lease liabilities	2021–2024	2,598	2021–2024	2,781
Total		5,606		5,948

	30 June 2020 S\$'000 (Unaudited)	31 December 2019 S\$'000 (Audited)
Analysed into:		
Within one year	3,008	3,167
In the second year	1,391	1,231
In the third to fifth years	1,208	1,550
	5,606	5,948

Notes:

- (a) These loans are incurred to finance the procurement of certain machinery of the Group.
- (b) 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\$2,195,000 as at 30 June 2020.

13. Share capital

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 March 2016 with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the date of incorporation, 10,000 shares of nominal value of HK\$0.01 each were allotted and issued to its then shareholders. Upon the completion of the reorganisation on 21 October 2016, the Company became the holding company of the Group.

On 4 April 2019, the number of shares of the Company was subdivided into four subdivided shares of HK\$0.0025 each, from 500,000,000 shares to 2,000,000,000 shares.

	2020 S\$'000	2019 S\$'000
Issued and fully paid:		
2,000,000,000 (2019: 2,000,000,000) ordinary shares	900	900

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months ended 30 June 2020, the Group recorded a decrease in revenue of approximately S\$1.7 million or -14% from approximately S\$11.9 million for the six months ended 30 June 2019 to approximately S\$10.3 million for the six months ended 30 June 2020. The decrease was a result of decrease in revenue from both Singapore and China markets due to coronavirus (COVID-19) outbreak.

For the six months ended 30 June 2020, the Group recorded a loss of approximately S\$0.4 million as compared to a loss of S\$0.8 million for the corresponding period in 2019. The decrease in loss was mainly due to (i) increase in other income and gains by approximately S\$0.6 million as a result of received of Singapore government grant as a result of COVID-19; (ii) decrease in employee benefit expenses by approximately S\$0.3 million; (iii) decrease in professional and consultation fee by approximately S\$0.1 million; (iv) decrease in other operating expenses by approximately S\$0.3 million; and (v) decrease in provision of tax expense by approximately S\$0.1 million. Cost of materials decreased by approximately S\$0.4 million due to decrease in revenue. However, our gross profit margin has decreased by approximately 5% from approximately 47% in 30 June 2019 to approximately 42% in 30 June 2020 due to higher material costs incurred.

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 including (i) maintenance and repair services; and (ii) modification, tuning and grooming services. These two services contributed approximately 95% or S\$9.7 million of total revenue for the period ended 30 June 2020 (30 June 2019: 91% or S\$10.8 million) and will be 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 penetrating 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 a sales-integrated service platform which covers car sales and car rental service. However, due to COVID-19 outbreak, our revenue generated from subsidiaries in China saw a significant decrease from approximately S\$1.1 million for the period ended 30 June 2019 to approximately S\$0.5 million for the period ended 30 June 2020. Nevertheless, 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 Zhujiào Car Sales Limited*) (“Car Zhujiào”) 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 Zhujiào 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 Zhujiào 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 Zhujiào 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 Zhujiào 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 Zhujiào 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 Zhujiào 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 (“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.

* For identification purpose only

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 acquire more new customers and 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

For the six months ended 30 June 2020, the Group recorded a decrease in revenue of approximately S\$1.7 million or -14% from approximately S\$11.9 million for the six months ended 30 June 2019 to approximately S\$10.3 million for the six months ended 30 June 2020. The decrease was a result of decrease in revenue from both Singapore and China markets due to coronavirus (COVID-19) outbreak.

Other income and gains

Increase in other income and gains by approximately S\$0.6 million as a result of received of Singapore government grant as a result of COVID-19.

Cost of materials

Cost of materials decreased by approximately S\$0.4 million from approximately S\$6.3 million for the period ended 30 June 2019 to approximately S\$5.9 million for the period ended 30 June 2020 due to decrease in revenue. However, our gross profit margin has decreased by approximately 5% from approximately 47% in 30 June 2019 to approximately 42% in 30 June 2020 due to higher material costs incurred.

Employee benefits expense

Employee benefits expense decreased by approximately S\$0.3 million from approximately S\$3.2 million for the period ended 30 June 2019 to approximately S\$2.9 million for the period ended 30 June 2020.

The decrease in employee benefits expense was a result of decrease in both headcounts and manpower costs of all business units of the Group.

Depreciation of right-of-use assets

The Group has recorded a depreciation of right-of-use assets amounting to approximately S\$0.5 million for the period ended 30 June 2020 (30 June 2019: 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\$1.2 million from approximately S\$1.9 million for the period ended 30 June 2019 to approximately S\$0.8 million for the period ended 30 June 2020. The decrease in other expenses was mainly due to decrease in operating lease expense of approximately S\$0.7 million as a result of adoption of IFRS 16 adjustments, decrease in professional and consultation fee by approximately S\$0.1 million and decrease in other operating expenses by approximately S\$0.3 million.

Loss for the period

The loss for the period decreased by approximately S\$0.4 million from approximately a loss of S\$0.8 million for the period ended 30 June 2019 to approximately a loss of S\$0.4 million for the period ended 30 June 2020.

The decrease in loss was mainly due to (i) increase in other income and gains by approximately S\$0.6 million as a result of received of Singapore government grant as a result of COVID-19; (ii) decrease in employee benefit expenses by approximately S\$0.3 million; (iii) decrease in professional and consultation fee by approximately S\$0.1 million; (iv) decrease in other operating expenses by approximately S\$0.3 million; and (v) decrease in provision of tax expense by approximately S\$0.1 million. Cost of materials decreased by approximately S\$0.4 million due to decrease in revenue. However, our gross profit margin has decreased by approximately 5% from approximately 47% in 30 June 2019 to approximately 42% in 30 June 2020 due to higher material costs incurred.

Liquidity, financial and capital resources

Cash position

Our cash and bank balances amounted to approximately S\$3.0 million and S\$1.1 million as at 30 June 2020 and 31 December 2019, respectively. The functional currency of our Group is SGD. As at 30 June 2020, 99% of our Group's cash and bank balances was denominated in the functional currency (31 December 2019: 99%) and the remaining 1% (31 December 2019: 1%) in other currencies, mainly Hong Kong dollar and Renminbi.

Our Group's primary sources of funds during the period was cash from operating activities. Our Group had net cash generated from operating activities of approximately S\$2.5 million. We had net cash used in investing activities of approximately S\$0.2 million and net cash used in financing activities of approximately S\$0.3 million.

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 0.8 times as at 30 June 2020 (31 December 2019: 0.8 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 2020, the Group had no material contingent liabilities (31 December 2019: 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 2020 (31 December 2019: S\$2.2 million). Details of the Group's charge on assets as at 30 June 2020 are set out in Note 12 to the unaudited condensed consolidated financial statements.

OTHER INFORMATION

Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company or any of their respective associates in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long Position in the Shares

Name of Directors and Chief Executives	Capacity/Nature of Interest	Number of Shares or underlying Shares	Approximate Percentage of Interest in the Company ⁽¹⁾
Mr. CHEN Huichun	Beneficial interest	700,000	0.04%
Mdm. WANG Chongyu ⁽²⁾	Interest of spouse	700,000	0.04%

Notes:

- (1) This is based on the total number of Shares in issue as at 30 June 2020, being 2,000,000,000.
- (2) Mdm. WANG Chongyu ("Mrs. Chen") is the spouse of Mr. CHEN Huichun. Under the SFO, Mrs. Chen is deemed to be interested in the same number of Shares in which Mr. CHEN Huichun is interested.

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

Directors' rights to acquire Shares or debentures

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended 30 June 2020 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective close associates (as defined under the GEM Listing Rules) 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

As at 30 June 2020, 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	Number of Shares	Approximate percentage of interest in the Company as at 30 June 2020 ⁽¹⁾
Mr. Li Jie	Beneficial owner	586,020,000	29.3%
Mdm. HAN Mei ⁽²⁾	Interest of spouse	586,020,000	29.3%

Notes:

- (1) This is based on the total number of Shares in issue as at 30 June 2020, being 2,000,000,000.
- (2) Mdm. HAN Mei ("Mrs. Li") is the spouse of Mr. Li Jie. 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 2020, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Related party transactions

During the six months ended 30 June 2020, the Group has not entered into any related party transactions.

Directors' interest in competing business

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders nor any of their respective close associates that competes or may compete, directly or indirectly, with the Group's business and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 June 2020.

Purchase, sales or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

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 during the six months ended 30 June 2020.

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 during the six months ended 30 June 2020.

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.2.1 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. 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.

According to code provision E.1.2, the chairman of the board should invite the chairmen of the audit, remuneration, nomination and any other committees to attend the annual general meeting. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. Besides, code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meeting.

Mr. YUAN Guoshun, a non-executive Director, did not attend the annual general meeting of the Company held on 26 June 2020 (the “AGM”) due to other business engagements at the relevant time.

Mr. ZHANG Guangdong (“Mr. Zhang”), an independent non-executive Director and the chairman of both nomination committee and risk management committee of the Company, did not attend the AGM due to other business engagements at the relevant time. Mr. YAN Jianqiang, the Chairman of the Board and a member of both nomination committee and risk management committee of the Company, was delegated as the representative of Mr. Zhang to attend and answer questions at the AGM on his behalf.

Mr. CHEN Huichun, an independent non-executive Director, did not attend the AGM due to personal engagements at the relevant time.

Save as disclosed above, the Directors consider that during the six months ended 30 June 2020, and thereafter to the date of this report, 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 2020 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2020 pursuant to the relevant provisions contained in the CG Code. A meeting of the Audit Committee was held with the management of the Company for, amongst other things, reviewing the unaudited condensed consolidated financial results of the Group for the three months and six months ended 30 June 2020.

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 2020.

Events after the reporting period

With the Coronavirus Disease 2019 ("COVID-19") outbreak, the Group's subsidiaries in PRC and Singapore have implemented various precautionary measures to mitigate the risk of the outbreak on the Group's operations. The COVID-19 outbreak is not expected to have a significant impact on the Group's operations.

Dividends

The Board did not recommend the payment of any dividend for the six months ended 30 June 2020 (2019: 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
YAN Jianqiang
Co-Chairman, Chief Executive Officer
and Executive Director

Hong Kong, 26 August 2020

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