# 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 2021

### 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 2021 together with the comparative audited figures for the year ended 31 December 2020. 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 2021*

| | *Notes* | **2021**<br>***S$'000***<br>**(Unaudited)** | 2020<br>*S$'000*<br>(Audited) |
|---|---|---|---|
| REVENUE | 5 | **20,233** | 20,421 |
| Other income and gains | 5 | **724** | 2,442 |
| Cost of materials | | **(10,829)** | (10,532) |
| Marketing and advertising expenses | | **(115)** | (103) |
| Employee benefits expense | | **(5,941)** | (6,167) |
| Depreciation of property, plant and equipment | | **(1,667)** | (1,787) |
| Depreciation of right-of-use assets | | **(705)** | (943) |
| Amortisation of intangible assets | | **(2)** | (6) |
| Impairment loss on intangible assets | | **–** | (497) |
| Reversal of impairment losses of trade receivables | | **2** | 152 |
| Written off of trade receivables | | **–** | (2) |
| Finance costs | 6 | **(195)** | (290) |
| Other expenses | | **(1,275)** | (1,543) |
| **PROFIT BEFORE TAX** | 7 | **230** | 1,145 |
| **Income tax expense** | 8 | **(296)** | (67) |
| **(LOSS) PROFIT FOR THE YEAR** | | **(66)** | 1,078 |
| **OTHER COMPREHENSIVE EXPENSE** | | | |
| *Item that may be subsequently reclassified to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | **(8)** | (9) |
| **TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR** | | **(74)** | 1,069 |

| | Notes | **2021** | 2020 |
|---|---|---|---|
| | | ***S$'000*** | *S$'000* |
| | | **(Unaudited)** | (Audited) |
| (Loss) profit attributable to owners of the Company | | **(66)** | 1,078 |
| Total comprehensive (expense) income attributable to owners of the Company | | **(74)** | 1,069 |

| | Notes | **2021** | 2020 |
|---|---|---|---|
| | | ***S cents per share*** | *S cents per share* |
| **(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | | |
| – Basic | 10 | **(0.003)** | 0.05 |
| – Diluted | 10 | **N/A** | N/A |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

| | Notes | 2021<br>S$'000<br>(Unaudited) | 2020<br>S$'000<br>(Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **3,818** | 5,481 |
| Right-of-use assets | | **709** | 1,532 |
| Intangible assets | | **–** | 2 |
| Financial assets at fair value through profit or loss | | **582** | 537 |
| Prepayments, other receivables and other assets | | **1,173** | 1,267 |
| **Total non-current assets** | | **6,282** | 8,819 |
| **CURRENT ASSETS** | | | |
| Inventories | 11 | **974** | 1,236 |
| Trade receivables | 12 | **967** | 1,387 |
| Prepayments, other receivables and other assets | | **7,195** | 6,826 |
| Cash and cash equivalents | | **4,138** | 1,768 |
| **Total current assets** | | **13,274** | 11,217 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 13 | **3,394** | 3,257 |
| Bank and other borrowings | | **2,742** | 3,294 |
| Contract liabilities | | **2,383** | 1,673 |
| Tax payable | | **300** | 12 |
| **Total current liabilities** | | **8,819** | 8,236 |
| **NET CURRENT ASSETS** | | **4,455** | 2,981 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **10,737** | 11,800 |

| | *Notes* | **2021** | 2020 |
|---|---|---|---|
| | | ***S$'000*** | *S$'000* |
| | | **(Unaudited)** | (Audited) |
| **NON-CURRENT LIABILITIES** | | | |
| Bank and other borrowings | | **163** | 1,542 |
| Trade and other payables | 13 | **1,018** | 721 |
| Provisions | | **413** | 413 |
| Contract liabilities | | **916** | 915 |
| Deferred tax liabilities | | **104** | 12 |
| **Total non-current liabilities** | | **2,614** | 3,603 |
| **NET ASSETS** | | **8,123** | 8,197 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **900** | 900 |
| Reserves | | **7,223** | 7,297 |
| **TOTAL EQUITY** | | **8,123** | 8,197 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE 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, Windward 3, Regatta Office Park, P.O. Box 1350, 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

## 2 BASIS OF PREPARATION

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

The 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. These consolidated 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.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

**Amendments to IFRS Standards that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to IFRS Standards issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to IFRS 16 | *Covid-19-Related Rent Concessions* |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform – Phase 2* |

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to IFRS Standards in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

**New and amendments to IFRS Standards in issue but not yet effective**

The Group has not early applied the following new and amendments to IFRS standards that have been issued but are not yet effective:

| | |
|---|---|
| IFRS 17 | Insurance Contracts and the related Amendments[3] |
| Amendments to IFRS 3 | Reference to the Conceptual Framework[2] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendment to IFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021[1] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies[3] |
| Amendments to IAS 8 | Definition of Accounting Estimates[3] |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3] |
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use[2] |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[2] |
| Amendments to IFRS Standards | Annual Improvements to IFRS Standards 2018–2020[2] |

[1] Effective for annual periods beginning on or after 1 April 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] Effective for annual periods beginning on or after a date to be determined

Except for the amendments to IFRS standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRS Standards will have no material impact on the consolidated financial statements in the foreseeable future.

***Amendments to IAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)"***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

***Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"***

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can 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 also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

***Amendments to IAS 8 "Definition of Accounting Estimates"***

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

## 5. 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:

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| **Revenue** | | |
| Revenue from contracts with customers | **20,233** | 20,421 |
| **Other income and gains** | | |
| Government grants* | **259** | 1,004 |
| Rental income | **127** | 136 |
| Commission income from sales of passenger cars | **79** | 7 |
| Administrative income | **98** | 108 |
| Fair value gain on a financial asset at fair value through profit or loss | **21** | 83 |
| Gain on disposal of property, plant and equipment | **61** | 30 |
| Sales deposits forfeited** | **–** | 859 |
| Reversal of provisions for reinstatement costs and warranty | **–** | 114 |
| Others | **79** | 101 |
| | **724** | 2,442 |

* 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.

** In 2020, advance payments totalled S$859,000 were made by certain third parties to the Group for purchase of motor vehicles. In December 2020, these third parties and the Group agreed for the cancellation of these purchases whereby the advance payments totalled S$859,000 were forfeited by the Group and each of the contracting parties agreed to waive to claim against the other party any compensation of damages, if any, arising from the cancellation of the purchases. The advance payments amounted to S$859,000 have been recognised in profit and loss in respect of the year ended 31 December 2020 and was included in other income and gains.

**(b) Operating Segment Information**

For management purposes, the Group is organised into business units based on their products and services, and has three 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 consolidated 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 expenses and income comprise expenses and other sources of income which are not directly attributable to the identified segments.

Inter-segment 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 ended 31 December 2021** | **Maintenance and repair services** *S$'000* | **Modification, tuning and grooming services and trading of spare parts and accessories** *S$'000* | **Others** *S$'000* | **Adjustments and eliminations** *S$'000* | **Total** *S$'000* |
|---|---|---|---|---|---|
| **Revenue:** | | | | | |
| External customers | **14,541** | **5,587** | **105** | **–** | **20,233** |
| Inter-segment | **126** | **119** | **180** | **(425)** | **–** |
| | **14,667** | **5,706** | **285** | **(425)** | **20,233** |
| **Results:** | | | | | |
| Cost of materials | **(6,831)** | **(3,910)** | **–** | **(88)** | **(10,829)** |
| Marketing and advertising expenses | **(104)** | **(11)** | **–** | **–** | **(115)** |
| Employee benefits expense | **(4,485)** | **(1,364)** | **(35)** | **–** | **(5,884)** |
| Depreciation and amortisation expense | **(2,156)** | **(303)** | **(79)** | **166** | **(2,372)** |
| Other expenses | **(823)** | **(216)** | **(144)** | **155** | **(1,028)** |
| Segment profit (losses) | **268** | **(98)** | **27** | **(192)** | **5** |
| Unallocated other expenses | | | | | **(247)** |
| Unallocated other income and gains | | | | | **724** |
| Unallocated employee benefits expense | | | | | **(57)** |
| Unallocated finance costs | | | | | **(195)** |
| Profit before tax | | | | | **230** |
| Tax expense | | | | | **(296)** |
| Loss for the year | | | | | **(66)** |

| Year ended 31 December 2020 | Maintenance and repair services *S$'000* | Modification, tuning and grooming services and trading of spare parts and accessories *S$'000* | Others *S$'000* | Adjustments and eliminations *S$'000* | Total *S$'000* |
|---|---|---|---|---|---|
| **Revenue:** | | | | | |
| External customers | 14,673 | 4,795 | 953 | – | 20,421 |
| Inter-segment | 85 | 60 | – | (145) | – |
| | 14,758 | 4,855 | 953 | (145) | 20,421 |
| **Results:** | | | | | |
| Cost of materials | (6,604) | (3,276) | (797) | 145 | (10,532) |
| Marketing and advertising expenses | (102) | – | (1) | – | (103) |
| Employee benefits expense | (4,715) | (1,068) | (232) | – | (6,015) |
| Depreciation and amortisation expense | (2,446) | (309) | (15) | 166 | (2,604) |
| Written off of trade receivables | – | – | (2) | – | (2) |
| Other expenses | (917) | (266) | (615) | 130 | (1,668) |
| Segment losses | (26) | (64) | (709) | 296 | (503) |
| Unallocated other expenses | | | | | (372) |
| Unallocated other income and gains | | | | | 2,594 |
| Unallocated depreciation and amortisation of other assets | | | | | (132) |
| Unallocated employee benefits expense | | | | | (152) |
| Unallocated finance costs | | | | | (290) |
| Profit before tax | | | | | 1,145 |
| Tax expense | | | | | (67) |
| Profit for the year | | | | | 1,078 |

| Year ended 31 December 2021 | Maintenance and repair services | Modification, tuning and grooming services and trading of spare parts and accessories | Others | Adjustments and eliminations | Total |
|---|---|---|---|---|---|
| | *S$'000* | *S$'000* | *S$'000* | *S$'000* | *S$'000* |
| **Assets:** | | | | | |
| Property, plant and equipment | **1,445** | **246** | **2,127** | **–** | **3,818** |
| Right-of-use assets | **930** | **229** | **7** | **(457)** | **709** |
| Segment assets | **11,117** | **5,329** | **7,302** | **(8,751)** | **14,997** |
| Unallocated assets* | | | | | **32** |
| Total assets | | | | | **19,556** |
| **Liabilities:** | | | | | |
| Segment liabilities | **6,959** | **2,379** | **2,869** | **(2,748)** | **9,459** |
| Unallocated liabilities* | | | | | **1,974** |
| Total liabilities | | | | | **11,433** |
| **Other segment information** | | | | | |
| Additions to non-current assets** | **21** | **12** | **–** | **–** | **33** |

* The unallocated assets mainly include corporate assets. The unallocated liabilities mainly include corporate liabilities, tax payable and deferred tax liabilities.

** Additions to non-current assets consist of additions to property, plant and equipment and intangible assets.

| Year ended 31 December 2020 | Maintenance and repair services S$'000 | Modification, tuning and grooming services and trading of spare parts and accessories S$'000 | Others S$'000 | Adjustments and eliminations S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Property, plant and equipment | 2,906 | 391 | 14 | – | 3,311 |
| Intangible assets | 2 | – | – | – | 2 |
| Right-of-use assets | 1,584 | 374 | 30 | (456) | 1,532 |
| Segment assets | 8,037 | 5,483 | 443 | (1,278) | 12,685 |
| Unallocated assets* | | | | | 2,506 |
| Total assets | | | | | 20,036 |
| **Liabilities:** | | | | | |
| Segment liabilities | 6,551 | 2,894 | 560 | (3,736) | 6,269 |
| Unallocated liabilities* | | | | | 5,570 |
| Total liabilities | | | | | 11,839 |
| **Other segment information** | | | | | |
| Additions to non-current assets** | 10 | 194 | – | – | 204 |

* The unallocated assets mainly include corporate assets and tax recoverable. The unallocated liabilities mainly include corporate liabilities, tax payable and deferred tax liabilities.

** Additions to non-current assets consist of additions to property, plant and equipment and intangible assets.

## Geographical Information

### *(a) Revenue*

| | **2021** **S$'000** | 2020 S$'000 |
|---|---|---|
| **Geographical information** | | |
| Singapore | **17,731** | 17,745 |
| Mainland China | **1,127** | 1,553 |
| Other Asia-Pacific countries | **1,369** | 1,115 |
| Others | **6** | 8 |
| | **20,233** | 20,421 |

## 6. FINANCE COSTS

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Interest expenses | | |
| – Term loans | **100** | 125 |
| – Lease liabilities | **51** | 131 |
| Bank charges | **44** | 34 |
| | **195** | 290 |

## 7. PROFIT BEFORE TAX

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

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Auditors' remuneration | **225** | 213 |
| Staff costs (excluding directors' and chief executive's remuneration) | **4,218** | 5,874 |
| Depreciation of property, plant and equipment | **1,667** | 1,787 |
| Depreciation of right-of-use assets | **705** | 943 |
| Amortisation of intangible assets | **2** | 6 |
| Impairment loss on intangible assets | **–** | 497 |
| Reversal of impairment losses of trade receivables | **(2)** | (152) |
| Lease payments not included in the measurement of lease liabilities | **156** | – |
| Written off of trade receivables | **–** | 2 |
| Foreign exchange losses | **21** | 42 |
| Allowance for inventory obsolescence | **333** | 47 |
| Loss on disposal of right-of-use assets | **–** | 36 |

## 8. 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 year.

Subsidiaries in the PRC are subject to taxation at a rate of 25% on the estimated profits arising in the PRC during the year.

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Current income tax | | |
| – Current year | **296** | 63 |
| – Underprovision in prior years | **–** | 4 |
| | **296** | 67 |
| Deferred tax | | |
| – Current year | **–** | – |
| Tax charge for the year | **296** | 67 |

## 9. DIVIDEND

There were no dividends paid or payable for the year ended 31 December 2021 (2020: Nil).

## 10. (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

As at 31 December 2021 and 2020, the Company had 2,000,000,000 ordinary shares in issue. The Company was listed on the 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 calculation of the basic and diluted (loss) earnings per share is based on the following data:

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| **(Loss) earnings** | | |
| (Loss) profit for the year attributable to the owners of the Company | **(66)** | 1,078 |

| | **2021** | 2020 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **2,000,000** | 2,000,000 |

Basic (loss) earnings per share for the year ended 31 December 2021 is S0.003 cents (2020: S0.05 cents).

No adjustment for the calculation of the diluted earnings per share has been made to the basic earnings per share as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

## 11. INVENTORIES

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Spare parts and accessories | **1,357** | 1,301 |
| Motor vehicles | **333** | 318 |
| Less: provision for inventory obsolescence | **(716)** | (383) |
| | **974** | 1,236 |

Inventories are stated net of allowance for inventory obsolescence of S$716,000 as at 31 December 2021 (2020: S$383,000). During the year ended 31 December 2021, allowance for inventory obsolescence amounting to S$333,000 (2020: S$47,000) was recognised.

## 12. TRADE RECEIVABLES

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Trade receivables, gross carrying amount | **1,258** | 1,680 |
| Less: Impairment losses recognised | **(291)** | (293) |
| | **967** | 1,387 |

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 gross carrying amount of trade receivables as at the end of the reporting period, based on the date of the products sold or services rendered, is as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Less than 30 days | **795** | 943 |
| 30–60 days | **71** | 88 |
| 61–90 days | **36** | 20 |
| 91–120 days | **8** | 41 |
| More than 120 days | **348** | 588 |
| | **1,258** | 1,680 |

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

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| At beginning of year | **293** | 445 |
| Reversal of impairment losses of trade receivables | **(2)** | (152) |
| At end of year | **291** | 293 |

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.

## 13. TRADE AND OTHER PAYABLES

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

| | **2021** | 2020 |
|---|---|---|
| | ***S$'000*** | *S$'000* |
| Less than 30 days | **628** | 766 |
| 30–60 days | **55** | 116 |
| 61–90 days | **1** | 2 |
| 91–120 days | **6** | 1 |
| More than 120 days | **13** | 58 |
| | **703** | 943 |

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the passenger car service industry and offer a comprehensive range of passenger car services including: (1) maintenance and repair of services; (2) modification, tuning and grooming services; and (3) provision of extended warranty program.

The Group continued to maintain its position as a leading passenger car service provider in Singapore in 2021 although the Group's revenue decreased by approximately S$0.2 million or -0.9% from approximately S$20.4 million for the year ended 31 December 2020 to approximately S$20.2 million for the year ended 31 December 2021. There was no significant fluctuation in revenue in current year as compared to last year.

The Group recorded a loss for the year ended 31 December 2021 of approximately S$0.1 million compared to profit of approximately S$1.1 million recorded for the year ended 31 December 2020. The loss for the year was mainly derived from (i) a decrease in other income by approximately S$1.7 million of which approximately S$0.8 million mainly due to a decrease of government grant support from Singapore in current year as compared to last year and S$0.9 million mainly due to waiver of debts recognised from one of our subsidiaries in China in last year but there is none in current year; (ii) decrease in gross profit by approximately S$0.4 million as a result of slight decrease in revenue and slight increase in cost of materials during the year; and (iii) increase in income tax expense of approximately S$0.2 million recognised in current year.

The loss for the year was partially offset by (i) a decrease in depreciation of properties, plant and equipment expense of approximately S$0.1 million; (ii) a decrease in depreciation of right-of-use assets by S$0.2 million; (iii) decrease in impairment losses on financial assets by approximately S$0.5 million; and (iv) decrease in other expenses by approximately S$0.3 million.

The Group is a leading automotive service provider in Singapore. We have over 18 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 contributing approximately 99% or S$20.1 million of total revenue in 2021 (2020: 96% or S$19.6 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, PRC and Thailand.

**Outlook**

As previously mentioned, Land Transport Authority ("**LTA**") on 18 February 2020 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. The Singapore government is introducing measures to facilitate adoption of electric vehicles ("**EV**"), which is one of the cleanest and lowest-emission vehicular technologies available today. On 8 March 2022, the Transport Minister said that to make every Housing and Development Board (HDB) town "EV-ready" by 2025, nearly 2,000 HDB car parks will each have a minimum of three charging points and "mostly provide low-powered, overnight charging", to meet the needs of car owners and minimise the load on the electrical grid. While the authority is installing more EV charging points closer to homes as part of Singapore Green Plan, 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 annual statistic 2021, they were only 3,713 EV running entirely on electricity (2020: 1,397) on the road or just 0.57 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 EV in Singapore is due to unavailability of domestic charging spots 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. Singapore has set a national target of 60,000 charging points in public carparks by 2030 up from about 2,000 currently.

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.

In China, we have strategically corporate with TELD, ZBJ.com, PICC. Our first C2N business model that target smart shared travel users had accumulated approximately 2,000 private vehicles from various city such as Zheng Zhou, Xi An, Nan Chang, San Ya, Wuhan, Nan Jing to register and operating through our innovative and integrated car sharing service platform.

Moving forward, the Group will continue to 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

Revenue of the Group decreased by approximately S$0.2 million or -0.9% from approximately S$20.4 million for the year ended 31 December 2020 to approximately S$20.2 million for the year ended 31 December 2021. There was no significant fluctuation in revenue in current year as compared to last year.

### Cost of Materials

Cost of materials increased by approximately S$0.3 million or 2.8% from approximately S$10.5 million for the year ended 31 December 2020 to approximately S$10.8 million for the year ended 31 December 2021. There was no significant fluctuation in cost of materials in current year as compared to last year.

### Employee Benefits Expense

Employee benefits expense decreased by approximately S$0.3 million from approximately S$6.2 million for the year ended 31 December 2020 to approximately S$5.9 million for the year ended 31 December 2021. The decrease in employee benefits expense was a result of decrease in headcount from our subsidiaries in Singapore.

### Depreciation of Right-of-use Assets

The Group has recorded depreciation of right-of-use assets amounting to approximately S$0.7 million for the year ended 31 December 2021 (2020: S$0.9 million) as a result of adoption of IFRS 16 for lease contracts entered into or charged on or after 1 January 2020. There was no significant fluctuation in depreciation of Right-of-use Assets in current year as compared to last year.

### Loss for the Year

The Group recorded a loss for the year ended 31 December 2021 of approximately S$0.1 million compared to profit of approximately S$1.1 million recorded for the year ended 31 December 2020. The loss for the year was mainly derived from (i) a decrease in other income by approximately S$1.7 million of which approximately S$0.8 million mainly due to a decrease of government grant support from Singapore in current year as compared to last year and S$0.9 million mainly due to waiver of debts recognised from one of our subsidiaries in China in last year but there is none in current year; (ii) decrease in gross profit by approximately S$0.4 million as a result of slight decrease in revenue and slight increase in cost of materials during the year; and (iii) increase in income tax expense of approximately S$0.2 million recognised in current year.

The loss for the year was partially offset by (i) a decrease in depreciation of properties, plant and equipment expense of approximately S$0.1 million; (ii) a decrease in depreciation of right-of-use assets S$0.2 million; (iii) decrease in impairment losses on financial assets by approximately S$0.5 million; and (iv) decrease in other expenses by approximately S$0.3 million.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Cash Position

The cash and bank balances amounted to approximately S$4.1 million and S$1.18 million as at 31 December 2021 and 2020 respectively. The functional currency of the Group is the Singapore dollar. As at 31 December 2021, 99.7% of the Group's cash and bank balances was denominated in the functional currency (31 December 2020: 99.1%) and the remaining 0.3% (31 December 2020: 0.9%) in other currencies, mainly the Hong Kong dollar and Renminbi.

### Gearing Ratio

Gearing ratio is measured by interest-bearing bank and other borrowings divided by the total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratio is 0.4 as at 31 December 2021 (31 December 2020: 0.6).

### 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 2021, the Group's long term loans are secured by a legal mortgage of the Group's freehold property which had a carrying amount of approximately S$2.2 million (2020: approximately S$2.2 million).

### Employees and Remuneration Policy

As at 31 December 2021, the Group had a total number of 160 full-time employees (31 December 2020: 151). 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 2021 and did not have any material acquisition and disposal of subsidiary, associates or joint ventures during the year ended 31 December 2021.

**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 2021 (2020: Nil).

**Events after the Reporting Period**

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

## 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. WANG Lei 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.

Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should also generally attend general meetings to gain and develop a balanced understanding of the view of shareholders. Mr. WU Tangqing, Executive Director of the Company (resigned on 30 December 2021), did not attend the annual general meeting of the Company held on 16 November 2021 due to prior business engagement.

Save as disclosed above, the Directors consider that throughout the year ended 31 December 2021, 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 2021.

## SHARE OPTION SCHEME

The Company adopted a share option scheme ("**Share Option Scheme**") on 21 October 2016 for the purpose of enabling the Company to grant rights to subscribe for Shares pursuant to the terms of the Share Option Scheme ("**Options**", each an "**Option**") as incentives or rewards to the Participants (as defined in the Share Option Scheme) for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any entity which the Group holds any equity interest ("**Invested Entity**"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The period of Share Option Scheme commenced on 21 October 2016 and will expire on 20 October 2026.

No option has lapsed, or has been granted, exercised or cancelled under the Share Option Scheme during the year ended 31 December 2021. The Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at 31 December 2021, nor has there been any exercise, redemption, purchase or cancellation made the during the year ended 31 December 2021 of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Associations or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

## EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme of the Company, there was no equity-linked agreement being entered into or remained subsisting during the year ended 31 December 2021 or as of the end of the year.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float required by the GEM Listing Rules since the listing date and up to the date of this announcement.

## 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 year ended 31 December 2021.

## CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2021, the Group has not entered into any connected transactions or continuing connected transactions that are not exempted under the GEM Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

## 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 2021.

## FINAL DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 December 2021 (2020: 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. CHEN Huichun and Mr. ZHAO Wei, each of whom is an Independent Non-Executive Director. Mr. LEUNG Yiu Cho has been appointed as the chairman of the Audit Committee, and has the appropriate professional qualifications required under the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, making recommendations to the Board on the appointment, reappointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor, oversee the audit process and perform other duties and responsibilities as assigned by the Board.

The Audit Committee and the Board had reviewed the unaudited annual results of the Group for the Year and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

## PUBLICATION OF AUDITED ANNUAL RESULTS AND ANNUAL REPORT

Due to the recent Coronavirus outbreak, the Company's auditing process for the year ended 31 December 2021 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 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, CCTH CPA Limited, by 20 April 2022. 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 2021 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 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.

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**
**Feng Wei**
*Co-Chairman and Executive Director*

Hong Kong, 31 March 2022

*As at the date of this announcement, the executive Directors are Mr. WANG Lei, Mr. FENG Wei and Mr. CHUA Boon Hou (CAI Wenhao), the non-executive Director is Mr. WANG Bing; and the independent non-executive Directors are Mr. LEUNG Yiu Cho, Mr. CHEN Huichun and Mr. ZHAO Wei.*

*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 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.*