# Zheng Li Holdings Limited
# 正力控股有限公司

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

**(Stock Code: 8283)**

## 2021 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of Zheng Li Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021. This announcement, containing the full text of the 2021 annual report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM (the "**GEM**") of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") in relation to information to accompany preliminary announcement of annual results.

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

Hong Kong, 13 May 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 GEM website at www.hkgem.com 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.*

## CHARACTERISTICS OF THE 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.**

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

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. WANG Lei *(Co-Chairman and Chief Executive Officer) (appointed on 9 February 2022)*
Mr. YAN Jianqiang *(Co-Chairman and Chief Executive Officer) (resigned on 9 February 2022)*
Mr. FENG Wei *(Co-Chairman) (appointed on 30 December 2021)*
Mr. WU Tangqing *(resigned on 30 December 2021)*
Mr. CHUA Boon Hou (CAI Wenhao)

## NON-EXECUTIVE DIRECTORS

Mr. WANG Bing *(appointed on 30 December 2021)*
Mr. YUAN Guoshun *(resigned on 30 December 2021)*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Yiu Cho
Mr. ZHANG Guangdong *(resigned on 31 March 2021)*
Mr. CHEN Huichun
Mr. ZHAO Wei *(appointed on 20 October 2021)*

## AUDIT COMMITTEE

Mr. LEUNG Yiu Cho *(Chairman)*
Mr. CHEN Huichun
Mr. ZHANG Guangdong *(resigned on 31 March 2021)*
Mr. ZHAO Wei *(appointed on 20 October 2021)*

## REMUNERATION COMMITTEE

Mr. LEUNG Yiu Cho *(Chairman)*
Mr. YAN Jianqiang *(resigned on 9 February 2022)*
Mr. ZHANG Guangdong *(resigned on 31 March 2021)*
Mr. ZHAO Wei *(appointed on 20 October 2021)*
Mr. WANG Lei *(appointed on 9 February 2022)*

## NOMINATION COMMITTEE

Mr. ZHAO Wei *(Chairman) (appointed on 20 October 2021)*
Mr. ZHANG Guangdong *(Chairman) (resigned on 31 March 2021)*
Mr. CHEN Huichun
Mr. YAN Jianqiang *(resigned on 9 February 2022)*
Mr. WANG Lei *(appointed on 9 February 2022)*

## RISK MANAGEMENT COMMITTEE

Mr. ZHAO Wei *(Chairman) (appointed on 20 October 2021)*
Mr. ZHANG Guangdong *(Chairman) (resigned on 31 March 2021)*
Mr. CHUA Boon Hou (CAI Wenhao)
Mr. YAN Jianqiang *(resigned on 9 February 2022)*
Mr. WANG Lei *(appointed on 9 February 2022)*

## COMPLIANCE OFFICER

Mr. CHUA Boon Hou (CAI Wenhao)

## COMPANY SECRETARY

Mr. WONG Cheung Ki Johnny, *FCPA, FCG (CS, CGP), HKFCG (CS, CGP)*

## AUTHORISED REPRESENTATIVES

Mr. CHUA Boon Hou (CAI Wenhao)
Mr. WONG Cheung Ki Johnny, *FCPA, FCG (CS, CGP), HKFCG (CS, CGP)*

## AUDITOR

CCTH CPA Limited
*Certified Public Accountants*
Unit 1510–1517, 15/F, Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road, Kwai Chung
New Territories, Hong Kong

## PRINCIPAL BANKS

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

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN SINGAPORE

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

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

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

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

## STOCK CODE

8283

## COMPANY'S WEBSITE ADDRESS

www.zhengliholdings.com

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Zheng Li Holdings Limited (the "Company") and its subsidiaries (the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2021.

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.

The Group recorded a loss for the year ended 31 December 2021 of approximately S$0.5 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$0.5 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 $0.1 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; and (iii) decrease in impairment losses on financial assets by approximately S$0.5 million.

In 2021, the automobile market in Singapore continue to face uncertainty due to the car and motorcycle zero growth policy with effect from February 2018. Based on Annual Vehicle Statistic 2021 issued by Land Transport Authority of Singapore ("LTA"), as at 31 December 2021, there are merely one million of total motor vehicles in Singapore (2020: approximately 1 million). The Group will continuing leveraging on our strengths – our service, our brands and our talents, to remain competitive in the marketplace and acquire more market shares from our competitors in Singapore.

As mentioned previously, the Group is constantly looking for opportunities to expand our services and products and increase our customer base in both Singapore and China markets. The unfolding novel coronavirus (COVID-19) outbreak worldwide is also creating uncertainty to our business and may cause extensive disruptions to our business in both Singapore and China markets if the situation prolong. Our business operating costs may increase as a result of the outbreak. The Group has implemented business continuity plans to minimise disruption to our operations and ensure that our business remains viable during the virus outbreak.

Despite the continued macroeconomic and geopolitical headwinds, we have shown ourselves to be resilient and to stay ahead of the competition with our continued initiatives in the automobile and related services market in both Singapore and China. We are optimistic of opportunities ahead that will keep our business on track for growth.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all the employees and management team, customers, shareholders and business associates for the support throughout the years. I look forward to celebrating another year of success with all of you.

Yours sincerely,
**WANG Lei**
*Co-Chairman, Chief Executive Officer and Executive Director*

13 May 2022

## 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 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$0.5 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$0.5 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 $0.1 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; and (iii) decrease in impairment losses on financial assets by approximately S$0.5 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 fully electric vehicles ("EV") (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 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. 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 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

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 increased by approximately S$0.2 million from approximately S$6.2 million for the year ended 31 December 2020 to approximately S$6.3 million for the year ended 31 December 2021. There was no significant fluctuation in employee benefit expense in current year as compared to last year.

### 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$0.5 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$0.5 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 $0.1 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; and (iii) decrease in impairment losses on financial assets by approximately S$0.5 million.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### CASH POSITION

The cash and bank balances amounted to approximately S$4.1 million and S$1.7 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 report, 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).

# DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of 7 Directors, comprising 3 Executive Directors, 1 Non-Executive Director and 3 Independent Non-Executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed at these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the articles of association of the Company (the "Articles of Association").

## EXECUTIVE DIRECTORS

**Mr. WANG Lei (王雷)** ("Mr. Wang"), aged 34, was appointed as the co-chairman of the Board, the chief executive officer and executive Director as recommended by the nomination committee (the "Nomination Committee") of the Company and approved by the Board on 9 February 2022. He is a member of each of the remuneration committee (the "Remuneration Committee"), the Nomination Committee and the risk management committee (the "Risk Management Committee").

Mr. Wang has more than seven years of management in companies engaged with online and technology businesses. From 2014 to 2015, he was the chief executive officer of Beijing Qiuyouquan Technology Company Limited* (北京球友圈網路科技有限責任公司), mainly responsible for promoting online booking systems with respect to different sports activities. Since 2017, Mr. Wang has become the general manager of Beijing Zhicai Technology Company Limited* (北京智裁科技有限公司) and was responsible for the company's overall management and researches on products (including but not limited to pre-packaged food and smart electrical appliances).

Save as disclosed above, Mr. Wang does not hold any other position with the Company and other members of the Group and does not have any relationship with any directors, senior management or substantial or controlling shareholder of the Company.

**Mr. FENG Wei (馮為)** ("Mr. Feng"), aged 32, was appointed as the co-chairman of the Board and executive Director as recommended by the Nomination Committee and approved by the Board on 30 December 2021.

Mr. Feng has 8 years of experience in financial service industry. From 2013 to 2014, he was independent financial director in Convoy Global Holdings Limited (康宏環球控股有限公司), mainly responsible for promoting financial investment by mining high net worth customers. During the period from 2014 to 2016, Mr. Feng was a fund manager in Innoway Wealth Asset Management Co., Ltd. (英諾威財富資產管理有限公司) and was responsible for project valuation due diligence, leading fund company establishment, fund product design and filing, drafting of related fund-raising materials, and assisting in the development of contract work. He then worked in Shenzhen Honghai Global Holdings (Group) Co., Ltd. (深圳市鴻海環球控股集團有限公司) as senior investment manager from 2016 to 2019 and was responsible for strategic deployment and investment in areas such as smart parks, logistics and warehousing technology, and supply chains. Mr. Feng was the chief investment officer in Shenzhen Jasons Consulting Co., Ltd. (深圳杰晟思顧問有限公司), mainly responsible for contracting and implementation of various consulting projects, involving the establishment of corporate structures, incentive planning, corporate investment and financing management, and fiscal and taxation law consulting, etc. from 2019 to 2020, and then he has been deputy general manager since 2020, mainly responsible for the layout of the financial technology field, leading the development of consulting services for mainland companies in Hong Kong IPOs and mergers and acquisitions and the establishment of offshore investment funds.

Mr. Feng graduated from The Australian National University and obtained a degree of bachelor of engineering with honours and a degree of master of financial management in 2012 and 2013 respectively. He has been a Financial Risk Manager of Global Association of Risk Professionals since 2021.

Save as disclosed above, Mr. Feng does not hold any other position with the Company and other members of the Group and does not have any relationship with any directors, senior management or substantial or controlling shareholder of the Company.

**Mr. YAN Jianqiang (燕建強)** ("Mr. Yan"), aged 45, was a Co-Chairman of the Board, Chief Executive Officer and Executive Director. He was the responsible person providing leadership to and overseeing the management of the Board. Mr. Yan was appointed to the Board on 12 October 2018. He was also a member of each of the Remuneration Committee, the Nomination Committee and the Risk Management Committee.

Mr. Yan has continuously served in automotive accessories sales and internet companies for 22 years with hands-on experience in the corporate management industry. Since his graduation from Henan Business College in July 1998, he had served in various companies such as 鄭州市先河實業發展有限公司 (Zhengzhou Xianhe Industry Development Co., Ltd.*, the principal operation of which is sales of automotive parts and accessories), 河南華誼網絡科技有限公司 (Henan Huayi Network Technology Co., Ltd.*) and 河南東方禦道實業有限公司 (Henan Dongfang Yudao Industry Development Co., Ltd.*), where he was responsible for management duties in areas such as sales management and internet innovation. In particular, he is considerably experienced in internet technology management and the construction of the industry ecosystem of automotive accessories sales.

Mr. Yan resigned as the Co-Chairman of the Board, Chief Executive Officer and Executive Director of the Company and ceased to be a member of each of the Remuneration Committee, the Nomination Committee and the Risk Management Committee, all with effect from 9 February 2022. Please refer to the relevant announcement of the Company dated 9 February 2022 for further details.

**Mr. WU Tangqing (吳堂青)** ("Mr. Wu"), aged 53, was re-designated from a Non-Executive Director to an Executive Director of the Company as recommended by the Nomination Committee and approved by the Board on 7 April 2020. He was a Non-Executive Director from 23 April 2018 to 7 April 2020, and was appointed as a Co-Chairman on 7 April 2020.

Mr. Wu is the chairman of 中能萬源（北京）汽車銷售股份公司 (Zhongneng Wanyuan (Beijing) Automobile Sales Co., Ltd.*) and has served as the chairman of 深圳匯世康聯投資管理有限公司 (Shenzhen Huishi Kanglian Investment Management Co, Ltd.*) from March 2013 to August 2014. Mr. Wu has extensive experiences in finance, management and sales in the automobile industry, and attended the Executive Master of Business Administration (EMBA) Training Course of Peking University (北京大學高級工商管理EMBA研修班) from June 2014 to June 2015.

Mr. Wu resigned as an Executive Director and the Co-Chairman of the Board of the Company on 30 December 2021. For further details, please refer to the relevant announcement of the Company dated 30 December 2021.

**Mr. CHUA Boon Hou (CAI Wenhao) (蔡文豪)** ("Mr. Chua"), aged 49, is the Chief Operating Officer and an Executive Director. He is primarily responsible for the management and operation of the Group such as implementing strategic management and monitoring key performance indicators of the Group. His other responsibilities include the day-to-day management of the operational aspects of both KBS Motorsports Pte. Ltd. and MBM Wheelpower Pte. Ltd.. He currently heads the human resource department of the Group and is responsible for the recruitment of new talents into the Group. Mr. Chua was appointed to the Board on 13 April 2016. He is also a member of the Risk Management Committee and the compliance officer of the Company. He has over 12 years of experience in the automobile industry.

Mr. Chua graduated from Nanyang Technological University, Singapore, in January 1997 with a degree of bachelor of business. Shortly after his graduation, Mr. Chua obtained a diploma in life insurance from the Singapore College Insurance in May 1999. Besides being a Fellow to the Life Management Institute (FLMI) in May 1997, he also became an associate to the Academy of Life Underwriting (AALU) in July 2006. Prior to joining the Group in April 2008, Mr. Chua had experience with several insurance companies including Great Eastern Life Insurance, Prudential Assurance Company Singapore (Pte) Limited and NTUC Income Insurance Co-operative Limited.

In view of his work experience, Mr. Chua was invited to the Group as an administrative manager in charge of the administration and customer services of the Group in April 2008. Over the years, he rose steadily through the ranks becoming our human resource manager in January 2012 and appointed as our chief operating officer in December 2015 in recognition for his continuous contribution to the Group.

## NON-EXECUTIVE DIRECTORS

**Mr. WANG Bing (王兵)** ("Mr. Wang"), aged 55, was appointed as non-executive Director as recommended by the Nomination Committee and approved by the Board on 30 December 2021.

Mr. Wang has over 30 years of experience in scientific research and chemical industry. From 1990 to 1994, he was an engineer in Shenyang Research Institute of Chemical Industry* (沈陽化工研究院). From 1997 to 2001, Mr. Wang worked as a researcher in Soken Chemical & Engineering Co., Ltd. (綜研化學株式會社) (stock code: 4972), a company listed on JASDAQ. He later worked in FS Division of Shiseido Company, Limited (株式會社資生堂) (stock code: 49110), a company listed on JASDAQ, as researcher from 2001 to 2003. Mr. Wang served as general manager in Beijing Taikemei Technology Co., Ltd.* (北京泰克美高新技術有限公司) from 2002 to 2009 and then has been the chairman since 2009. During the period from 2010 to 2014 he was a special advisor of Shiseido Company, Limited (株式會社資生堂).

Mr. Wang graduated from Gunma University in Japan and obtained a degree of master of biochemical engineering in 1997. He was granted 13 patents on inventions, new models and appearance.

Save as disclosed above, Mr. Wang does not hold any other position with the Company and other members of the Group and does not have any relationship with any directors, senior management or substantial or controlling shareholder of the Company.

**Mr. YUAN Guoshun (袁國順)** ("Mr. Yuan"), aged 51, was re-designated from an Executive Director to a Non-Executive Director of the Company as recommended by the Nomination Committee and approved by the Board on 7 April 2020. Mr. Yuan was an Executive Director of the Company from 7 November 2018 to 7 April 2020.

Mr. Yuan has served in companies engaged in food production and sales and corporation management consulting for 22 years, with hands-on experience in corporate management. After his graduation from the Executive Master of Business Administration (EMBA) Training Course of Peking University (北京大學高級工商管理EMBA研修班) from June 2014 to June 2015, he has served in various companies such as 河南奧克調味品有限公司 (Henan Aoke Condiments Co., Ltd.*) and 河南壹玖實業有限公司 (Henan One Nine Industry Co., Ltd.*), where he was responsible for corporation management. In particular, he is experienced in corporation management.

Mr. Yuen resigned as a Non-Executive Director of the Company on 30 December 2021. For further details, please refer to the relevant announcement of the Company dated 30 December 2021.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LEUNG Yiu Cho (梁耀祖)** ("Mr. Leung"), aged 42, is an Independent Non-Executive Director. He was appointed to the Board on 21 October 2016 and does not hold any position with other members of the Group. Mr. Leung has over 13 years of experience in financial management and corporate finance. He is also the chairman of the audit committee (the "Audit Committee") and the Remuneration Committee.

Mr. Leung has been an independent non-executive director at Wuxi Sunlit Science and Technology Company Limited (Stock Code: 1289) (a company listed on the main board of the Stock Exchange ("Main Board")) since June 2021. He was appointed as (i) Company Secretary; and (ii) Authorised Representative for the purpose of Rule 3.05 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange (the "Authorised Representative") at Universal Star (Holdings) Limited (Stock Code: 2346) (a company listed on the Main Board) and China Dredging Environment Protection Holdings Limited (Stock Code: 871) (a company listed on the Main Board) on 13 July 2021 and 29 December 2021 respectively. Mr. Leung was appointed as (i) Company Secretary; (ii) Chief Financial Officer; (iii) Authorised Representative; and (iv) Authorised Representative pursuant to Part 16 of the Companies Ordinance for accepting service of process and notices on behalf of the Company in Hong Kong under Rule 19.05(2) of the Listing Rules (the "Process Agent") at Xinhua News Media Holdings Limited (Stock Code: 309) (a company listed on the Main Board) on 2 July 2021 until his resignation on 5 August 2021. Mr. Leung was appointed as an independent non-executive director at CAA Resources Limited (Stock Code: 2112) (a company listed on the Main Board) from August 2017 until his resignation in October 2020. He joined Artini Holdings Limited (formerly known as Primeview Holdings Ltd.) (Stock Code: 0789) (a company listed on the Main Board), as its chief financial officer in December 2013 and has been its investment principal since October 2015 and an executive director in December 2016 until his resignation in September 2019. Mr. Leung was responsible for monitoring corporate finance transactions and investors relationship. Prior to that, Mr. Leung started his employment with Deloitte Touche Tohmatsu in June 2005 as a semi-senior accountant before leaving as a senior accountant in July 2006. Between July 2006 and August 2007, he was the assistant financial controller of Ta Yang Group Holdings Limited (大洋集團控股有限公司) (Stock Code: 1991) (a company listed on the Main Board). From August 2007 to September 2008, Mr. Leung joined CSC Securities (HK) Limited (群益證券（香港）有限公司) as an executive in the investment banking department. Mr. Leung was the financial controller and board secretary of United Technology Holdings Company Limited (聯合科技控股有限公司) in 2011. From March 2012 to August 2013, he joined Highland Asset Management Corporation (漢鎰資產管理股份有限公司) as its senior deputy finance manager and board secretary.

**Mr. ZHANG Guangdong (張廣東)** ("Mr. Zhang"), aged 45, was an Independent Non-Executive Director of the Company. Mr. Zhang was appointed to the Board on 27 June 2018.

Mr. Zhang holds a Master's degree in International Law. He has practiced as a lawyer in PRC since 2008 and served in various companies as a legal consultant. Mr. Zhang is a practicing solicitor of 上海市建緯律師事務所 (Shanghai Jianwei Law Firm*). He has extensive experience in corporate legal management.

Mr. Zhang resigned as an Independent Non-Executive Director and the chairman of the Nomination Committee and the Risk Management Committee, and a member of the Audit Committee and the Remuneration Committee of the Company on 31 March 2021.

**Mr. CHEN Huichun (陳回春)** ("Mr. Chen"), aged 49, was appointed as an Independent Non-Executive Director of the Company on 11 September 2019. He is also a member of the Nomination Committee and the Audit Committee.

Mr. Chen is an entrepreneur with extensive experience in the real estate industry in mainland China. In July 2018, Mr. Chen completed a business administration programme and obtained a Bachelor's degree in Management from 西北民族師範學院 (Northwest Minzu Normal University*). In the past over ten years, he has established a number of real estate companies, such as 鞍山市共榮房地產開發有限責任公司 (Anshan City Gongrong Real Estate Development Co., Ltd.*), 鞍山市共成房地產開發有限公司 (Anshan City Gongcheng Real Estate Development Co., Ltd.*) and 鞍山市共富房地產開發有限公司 (Anshan City Gongfu Real Estate Development Co., Ltd.*), in which he played a leading role. Mr. Chen has extensive management experience in the real estate field and a continuing and firm vision for investment. Coupled with his excellent management capability, he is an outstanding and successful entrepreneur. Mr. Chen is currently involved in the field of new energy vehicles and is committed to contributing to the economic development and the construction of green homes of Anshan City.

**Mr. ZHAO Wei (趙為)** ("Mr. Zhao"), aged 57, is an Independent Non-Executive Director of the Company. Mr. Zhao was appointed to the Board on 20 October 2021. He is also the chairman of the Nomination Committee and the Risk Management Committee, and a member of the Audit Committee and the Remuneration Committee.

Mr. Zhao has over 30 years of experience in the information technology service industry, especially computer software. He has served as the executive president of Jinling Huasoft Investment Fund* (金陵華軟投資基金) since 2013. Mr. Zhao graduated from Peking University* (北京大學) and obtained a bachelor's degree and a master's degree on computer science with a major of software engineering in 1988 and 1991 respectively.

Save as disclosed above, Mr. Zhao does not hold any other position with the Company and other members of the Group and does not have any relationship with any directors, senior management or substantial or controlling shareholder of the Company.

## SENIOR MANAGEMENT

**Ms. YANG Ruiping (楊銳萍)** ("Ms. Yang"), aged 35, joined the Group on 15 February 2019 as the financial controller and was appointed as the Chief Financial Officer of the Company on 10 May 2019. She has 12 years experiences in finance and audit work with hands-on experience in corporate financial management. She had served in various companies including 河南萬豐會計師事務所 (Henan Wanfeng Accounting Firm*), 永發（河南）模塑科技發展有限公司 (Wingfat (Henan) Molded Fiber Technology Development Co., Ltd*) and 河南東方禦道實業有限公司 (Henan Dongfang Yudao Industry Development Co., Ltd.*), where she was responsible for comprehensive financial management in areas such as overall corporate financial audit and budget. She has extensive practical experience in organization and management framework design in corporate finance, financial internal control system development, comprehensive budget management, cost control, financial analysis and capital management. Ms. Yang holds a bachelor's degree in managerial economics from Zhengzhou University of Light Industry. Ms. Yang is a practicing member of Chinese Institute of Certified Public Accountants.

**Ms. Karen LEE Peay Jang** ("Ms. Lee"), aged 60, the finance manager, joined the Group in March 2011 as its account manager and was appointed as the Group's finance manager in April 2016. Ms. Lee has over 18 years of experience in the auditing and accounting and is responsible for the management of the Group's financing and accounting matters.

Prior to joining the Group, Ms. Lee worked in Aztech Group Ltd as senior accounts officer from March 1995 to February 2011. Ms. Lee obtained a diploma in financial and management accounting from the Toronto School of Business Inc., Canada in June 1990.

## COMPANY SECRETARY

**Mr. WONG Cheung Ki Johnny (王章旗)** ("Mr. Wong"), aged 39, joined the Group on 13 April 2016 as the company secretary of the Company (the "Company Secretary").

Mr. Wong is currently a director of a corporate services company and the sole proprietor of an accounting firm. In addition, he is a company secretary of China MeiDong Auto Holdings Limited (Stock Code: 1268) and Ascentage Pharma Group International (Stock Code: 6855), companies listed on the Main Board. He was a joint company secretary of China Hongguang Holdings Limited (Stock Code: 8646), a company listed on the GEM of the Stock Exchange, from 13 January 2020 to 14 May 2021. Mr. Wong has over 16 years of accounting and financial experience. Mr. Wong was admitted as a member of the Hong Kong Institute of Certified Public Accountants in February 2009, a fellow of the Hong Kong Institute of Certified Public Accountants in July 2016, an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in December 2016 and a fellow of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in March 2018.

Mr. Wong obtained a degree of bachelor of business administration in accounting from The Hong Kong University of Science and Technology in November 2005 and a degree of master of corporate governance from The Hong Kong Polytechnic University in September 2016.

## COMPLIANCE OFFICER

**Mr. CHUA Boon Hou (CAI Wenhao)** ("Mr. Chua") is an Executive Director and the compliance officer of the Company. Please refer to Mr. Chua's biography as disclosed in the paragraph headed "Executive Directors" in this section of this annual report.

* *For identification purpose only*

## 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 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.

## BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board diversity (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. Under the Board Diversity Policy, the Company considers diversity of Board members to be achieved through consideration of a number of aspects, including but not limited to, gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments are based on merit, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

## NOMINATION POLICY

The Company adopted a nomination policy on 15 March 2019, which establishes written guidelines to Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors. The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure the Board has a balance of skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business. Collectively, they have competencies in areas which are relevant and valuable to the Group.

## DIVIDEND POLICY

The Company adopted a dividend policy on 15 March 2019 in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(a) the Company's current and future operations, actual and expected financial performance;

(b) any corporate development plans;

(c) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(d) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(e) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

The recommendation of the payment of dividend is subject to the determination of the Board, and, any declaration of final dividend for the year will be subject to the approval of the shareholders. The payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and amended and restated memorandum and articles of association of the Company.

## 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.

## THE BOARD

The Directors of who held office during the year ended 31 December 2021 and up to the date of this annual report were:

### EXECUTIVE DIRECTORS

Mr. WANG Lei *(Co-Chairman and Chief Executive Officer) (appointed on 9 February 2022)*
Mr. YAN Jianqiang *(Co-Chairman and Chief Executive Officer) (resigned on 9 February 2022)*
Mr. FENG Wei *(Co-Chairman) (appointed on 30 December 2021)*
Mr. WU Tangqing *(Co-Chairman) (resigned on 30 December 2021)*
Mr. CHUA Boon Hou (CAI Wenhao)

### NON-EXECUTIVE DIRECTORS

Mr. WANG Bing *(appointed on 30 December 2021)*
Mr. YUAN Guoshun *(resigned on 30 December 2021)*

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Yiu Cho
Mr. ZHANG Guangdong *(resigned on 31 March 2021)*
Mr. CHEN Huichun
Mr. ZHAO Wei *(appointed on 20 October 2021)*

Biographical details of the Directors are shown on pages 10 to 16 of this report. The List of Directors and their Role and Function was published both on the GEM website and the Company's website. The Board is currently supported by the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee to oversee specific areas of the Company's affair. Each of these committees has been established with written terms of reference, which were approved by the Board, setting out the committee's major duties and responsibilities. These terms of reference were published both on the GEM website and the Company's website.

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and the Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs and overseeing the achievement of strategic plans to enhance shareholders' value.

Generally, the Board is responsible for all major aspects of the affairs of the Company, including:

- formulation of overall strategies and review of its financial performance and results and the internal control systems;
- policies relating to key business and financial objectives of the Company;
- material transactions, including acquisition, investment, disposal of assets or capital expenditure;
- appointment, removal or reappointment of Board members and auditors;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- recommendation to shareholders on final dividend and the declaration of any interim dividends.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor and disclose with reasonable accuracy the financial position of the Group. The Board updates the Company's shareholders ("Shareholders") on the operations and financial position of the Group through quarterly, interim and annual results announcements as well as the publication of timely reports and announcements of other matters as prescribed by the relevant laws, rules and regulations.

Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expense of the Company.

All Directors, including independent non-executive Directors assume the responsibilities to Shareholders for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The non-executive Directors (including the independent non-executive Directors), advise the Company on strategic and critical matters. The Board considers that each non-executive Director brings his own senior level of experience and expertise to the constructive functioning of the Board. To this end, regular informal meetings are held between the executive Directors and non-executive Directors. The Chairman held meetings with the non-executive Directors at least annually without presence of the executive Directors to evaluate the functioning of the Board.

Each of the Directors has entered into a service contract or has signed a letter of appointment with the Company for a term of three years. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

The executive Directors are delegated with responsibility to oversee and monitor the operation of specific business areas and to implement the strategies and policies set by the Board.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHANG Guangdong ("Mr. Zhang") resigned as an independent non-executive Director and ceased to be the chairman of the Nomination Committee and the Risk Management Committee, and a member of the Audit Committee and the Remuneration Committee of the Board on 31 March 2021. Upon the resignation of Mr. Zhang, the number of independent non-executive Directors was reduced to two and the Audit Committee only had two members. It resulted in non-compliance with the requirements under Rules 5.05(1) and 5.28 of the GEM Listing Rules. In addition, the Company did not meet the composition requirements for the Remuneration Committee, Nomination Committee and Risk Management Committee as required under Rule 5.34 of the GEM Listing Rules and code provision A.5.1 of the CG Code and the terms of reference of the respective committees, as appropriate. On 20 October 2021, Mr. ZHAO Wei ("Mr. Zhao") was appointed as an independent non-executive Director, the chairman of the Nomination Committee and the Risk Management Committee and a member of the Audit Committee and the Remuneration Committee of the Board. Upon the appointment of Mr. Zhao, the Company met all the requirements under Rules 5.05(1) and 5.28 of the GEM Listing Rules and the composition requirements for the Remuneration Committee, Nomination Committee and Risk Management Committee as required under Rule 5.34 of the GEM Listing Rules and code provision A.5.1 of the CG Code and the terms of reference of the respective committees, as appropriate.

Save as disclosed above, during the reporting period, the Company met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Directors has made written annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. Upon review, the Board concluded that all the independent non-executive Directors are independent within the meaning of the GEM Listing Rules.

## THE BOARD COMMITTEES

### 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. Currently, 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.

During the year ended 31 December 2021, the Audit Committee held 5 meetings, at which it has reviewed and discussed the quarterly, interim and annual financial results of the Group, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in the Corporate Governance Report, the effectiveness of the Group's risk management and internal control systems, the Group's internal audit function and recommendation on appointment of auditor. The Audit Committee has also recommended to the Board to consider the re-appointment of CCTH CPA Limited as the Company's external independent auditors at the annual general meeting, and further delay the publications of the third quarterly results for the nine months ended 30 September 2020, the annual results for the year ended 31 December 2020 and the despatch of its third quarterly report and its 2020 annual report.

### REMUNERATION COMMITTEE

The Remuneration Committee was established on 21 October 2016 with written terms of reference in compliance with the CG Code. Currently, the Remuneration Committee has three members, namely Mr. LEUNG Yiu Cho, an Independent Non-Executive Director, Mr. ZHAO Wei, an Independent Non-Executive Director and Mr. WANG Lei, an Executive Director, Co-Chairman and Chief Executive Officer. Mr. LEUNG Yiu Cho has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangements. No Director was involved in deciding his own remuneration.

During the year ended 31 December 2021, the Remuneration Committee held 3 meetings, at which it recommended to the Board (i) for consideration the distribution of discretionary bonus to executive Directors and senior management for the year 2020; (ii) on the remuneration packages for executive Directors and senior management for the year 2021; (iii) on the remuneration packages for independent non-executive Directors for the year 2021; and (iv) on the remuneration packages for new directors.

### NOMINATION COMMITTEE

The Company established the Nomination Committee on 21 October 2016 with written terms of reference where were revised and adopted on 15 March 2019 in compliance with the CG Code. Currently, the Nomination Committee consists of three members, being Mr. ZHAO Wei, an Independent Non-Executive Director, Mr. CHEN Huichun, an Independent Non-Executive Director and Mr. WANG Lei an Executive Director, Co-Chairman and Chief Executive Officer. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment and removal of Directors and to be responsible for reviewing the structure, size, diversity and composition of the Board on a regular basis.

During the year ended 31 December 2021, the Nomination Committee held 3 meetings, at which it (i) assessed the independence of the Independent Non-Executive Directors; (ii) recommended to the Board for consideration the re-appointment of all the retiring Directors at the annual general meeting; and (iii) recommended to the Board on the appointments of new directors.

### RISK MANAGEMENT COMMITTEE

The Company established the Risk Management Committee on 21 October 2016. Currently, the Risk Management Committee has three members, namely Mr. ZHAO Wei, an Independent Non-Executive Director, Mr. WANG Lei, an Executive Director, Co-Chairman and Chief Executive Officer and Mr. CHUA Boon Hou (CAI Wenhao), an Executive Director. The primary functions of the Risk Management Committee include reviewing (i) the Company's significant transactions, including tenancy agreements, together with the finance department; and (ii) the Company's risk management policies and standards, and monitoring the Company's exposure to sanctions law risks.

During the year ended 31 December 2021, the Risk Management Committee held 1 meeting, at which it reviewed the system of risk management and internal control of the Group and its effectiveness.

## COMMITTEE MEETINGS

### PRACTICES AND CONDUCT OF MEETINGS

Code provision A.1.1 of the CG Code prescribes that at least 4 regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication. The Board will schedule to have at least four regular meetings in a year. Other Board meetings will be held if necessary.

### MEETINGS HELD AND ATTENDANCE

The composition of the Board and the committees, and the individual attendance records of each Director at the Board and committees' meetings during the year ended 31 December 2021 are set out below:

| | Actual Attendance/Number of Meetings a Director is entitled to attend | | | | | |
|---|---|---|---|---|---|---|
| Name of the Directors | Board Meetings | Audit Committee Meetings | Remuneration Committee Meetings | Nomination Committee Meetings | Risk Management Committee Meetings | Annual General Meetings |
| **Executive Directors** | | | | | | |
| Mr. CHUA Boon Hou (CAI Wenhao) | 14/14 | N.A. | N.A. | N.A. | 1/1 | 1/1 |
| Mr. YAN Jianqiang | 14/14 | N.A. | 2/2 | 2/2 | 1/1 | 1/1 |
| Mr. WU Tangqing (resigned on 30 December 2021) | 10/14 | N.A. | N.A. | N.A. | N.A. | 0/1 |
| Mr. FENG Wei (appointed on 30 December 2021) | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| **Non-Executive Directors** | | | | | | |
| Mr. YUAN Guoshun (resigned on 30 December 2021) | 4/14 | N.A. | N.A. | N.A. | N.A. | 1/1 |
| Mr. WANG Bing (appointed on 30 December 2021) | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| **Independent Non-Executive Directors** | | | | | | |
| Mr. LEUNG Yiu Cho | 14/14 | 5/5 | 2/2 | N.A. | N.A. | 1/1 |
| Mr. ZHANG Guangdong (resigned on 31 March 2021) | 2/6 | 5/5 | 2/2 | 2/2 | 1/1 | N.A. |
| Mr. CHEN Huichun | 7/14 | 4/5 | N.A. | 2/2 | N.A. | 1/1 |
| Mr. ZHAO Wei (appointed on 20 October 2021) | 2/2 | N.A. | N.A. | N.A. | N.A. | 1/1 |

## DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

In compliance with the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2021, the Directors were provided with timely updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

The Group continuously updated the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements, as well as providing Director's training to the newly appointed Directors so as to ensure each Director is aware of his responsibilities and obligations under the GEM Listing Rules and relevant regulations, and maintaining good corporate governance practices.

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis. The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual, half-yearly and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

The responsibility of the independent auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year, the Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are reasonable in accordance with applicable accounting standards.

The quarterly results and reports were published within the time limits as required under the GEM Listing Rules after the end of the relevant periods to provide stakeholders with transparent and timely financial information. However, (i) the Company had been pending financial information from a major subsidiary in Singapore, more additional time was required for finalizing the financial information of the Group for the nine months ended 30 September 2020. Therefore, there was a delay of publication of the third quarterly results for the nine months ended 30 September 2020 ("2020 Third Quarterly Results") and a delay of despatch of its 2020 Third Quarterly Report. Due to the further delay of publication of 2020 Third Quarterly Results, it led to delay of publications of (i) the annual results for the year ended 31 December 2020 ("2020 Annual Results") and its 2020 Annual Report; (ii) the first quarterly results for the three months ended 31 March 2021 ("2021 First Quarterly Results") and its 2021 First Quarterly Report; and (iii) the interim results for the six months ended 30 June 2021 ("2021 Interim Results") and its 2021 Interim Report. The 2020 Third Quarterly results, 2020 Third Quarterly Report, the 2020 Annual Results and 2020 Annual Report were published on 7 October 2021. The 2021 First Quarterly Results, 2021 First Quarterly Report, the 2021 Interim Results and 2021 Interim Report were published on 20 October 2021.

## AUDITOR'S REMUNERATION

During the year ended 31 December 2021, the remuneration, reviewed and approved by the Audit Committee on the audit and non-audit scope, paid or payable to the auditor in respect of audit and non-audit services provided by the auditor of the Group, CCTH CPA Limited, is as follows:

| Nature of Service | 2021 Amount<br>S$'000 |
|---|---|
| Audit services | 194 |
| Non-audit services | – |
| Total | 194 |

## CORPORATE GOVERNANCE FUNCTION

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as (i) developing and reviewing the Company's policies, practices on corporate governance, training and the continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc; (ii) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and (iii) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

Every Board member has full access to the advice and services of the Company Secretary with a view to ensure that Board procedures, and all applicable rules and regulations are followed. They are also entitled to have full access to Board papers and related materials such that they are able to make an informed decision and to discharge their duties and responsibilities.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Company had established policies and procedures to identify, assess and manage major risks of the Group. The Board has overall responsibilities for establishing and maintaining an effective risk management and internal control systems of the Group and reviewing their effectiveness. However, such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management is responsible for implementing that procedures approved by the Board and to monitor compliance with the policies and procedures. The Board has outsourced the internal audit function to a professional risk consulting firm to perform the internal audit review on the control environment and key business processes of the Group. Based on discussions with the professional risk consultants, advisors and our management team, in view of their responses to the findings and recommendations on matters relating to internal controls, the Board is satisfied that there were no significant defects in Group's internal controls and risk management systems in terms of overall adequacy and effectiveness concerning the key operational, financial and compliance risks of the Group as at the date of this report.

Furthermore, the Company reminds the Directors and employees of the Group about due compliance with all policies regarding the inside information. The Company keeps the Directors and employees of the Group appraised of the latest regulatory updates to ensure compliance with the relevant regulatory requirements.

## COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to approval by the Board in accordance with the Articles of Association. The Company Secretary is responsible for ensuring the Board procedures and policy are followed and Board activities are effectively conducted. The Company Secretary is also responsible for maintaining minutes recorded in sufficient details of all the meetings of the Board and committees of the Company. Draft and final versions of minutes are disseminated to Directors for comment and filed for record purposes respectively within a reasonable time after each meeting. The Directors have full and timely access to the minutes of the Board and committees of the Company. The Company Secretary, Mr. WONG Cheung Ki, Johnny, confirmed that he has complied with all the qualifications, experience, and professional training requirements of the GEM Listing Rules.

## SHAREHOLDERS' RIGHTS

The general meetings of the Company provided an opportunity for communication between Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

## RIGHT TO CONVENE EGM AND PROCEDURES

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. Anyone or more member(s) holding at the date of the deposit of the requisition not less than one tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal place of business as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition.

Such requisition shall be made in writing to the Board or the Company Secretary at the following:

**Principal place of business and headquarters in Singapore**

| | |
|---|---|
| Address: | 176 Sin Ming Drive<br>#01-15 Sin Ming Autocare<br>Singapore 575721 |
| Email: | enquiries@zhengliholdings.com |
| Attention: | Company Secretary |

**Registered office of the Company**

| | |
|---|---|
| Address: | Windward 3, Regatta Office Park<br>P.O. Box 1350<br>Grand Cayman KY1-1108<br>Cayman Islands |
| Attention: | Company Secretary |

If within 21 days of such deposit, the Board fails to proceed duly to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

For matters in relation to the Board, Shareholders can contact the Company at the following: by post to principal place of business of the Company in Hong Kong at 9/F., Wah Yuen Building, 149 Queen's Road Central, Hong Kong or by email to enquiries@zhengliholdings.com.

## RIGHT TO PUT ENQUIRIES TO THE BOARD

Shareholders have the right to put enquiries to the Board. All such enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary. Shareholders may also make enquiries with the Board at the general meetings of the Company.

## RIGHT TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemental from time to time. However, pursuant to the Articles of Association, Shareholders who wish to move a resolution may by means of requisitions convene an EGM following the procedures set out above.

## CONSTITUTIONAL DOCUMENTS

In April 2019, the Company has adopted the second amended and restated Memorandum and Articles of the Company, a copy of which is available on the GEM website and the Company's website. There are no significant change to the constitutional documents of the Company for the year ended 31 December 2021.

## INVESTOR RELATIONS

The Board recognises the importance of maintaining on-going communication with Shareholders. The Company has adopted a Shareholders' communication policy and promotes communications with Shareholders through several communication channels including publication of notices, circulars and announcements of key developments, and quarterly, interim and annual reports as prescribed under the GEM Listing Rules which can also be accessed via the "Investor Relations" of the Company's website.

The aims of the Company are to improve its transparency, gain more understanding and confidence in relation to the Group's business developments and acquire more market recognition and support from Shareholders.

Shareholders are encouraged to attend all general meetings of the Company. The notices of the extraordinary general meetings and annual general meeting of the Company were circulated to all Shareholders in accordance with the requirements of the GEM Listing Rules and the Articles of Association. It is a standard practice to have the non-executive Directors available to answer questions relating to their roles, tenure, and the committees of the Board. The results of voting by poll are published on the GEM website and the Company's website after the meetings.

Any comments and suggestions to the Board can be addressed to the Hong Kong office or the Company Secretary by mail to 9/F., Wah Yuen Building, 149 Queen's Road Central, Hong Kong or email at enquiries@zhengliholdings.com.

# DIRECTORS' REPORT

The Directors hereby present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The Company's subsidiaries are involved in the following principal activities:

(1) maintenance and repair of passenger cars;

(2) modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories;

(3) provision of motor finance services;

(4) provision of a sales-integrated service platform; and

(5) trading of passenger cars.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis in this annual report. This discussion forms part of this directors' report.

## PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, major risks are summarised below.

### OUR BUSINESS DEPENDS HEAVILY ON OUR REPUTATION AND CONSUMER PERCEPTION OF THE QUALITY OF OUR SERVICES, AND ANY NEGATIVE PUBLICITY, HARM TO OUR REPUTATION, FAILURE TO MAINTAIN AND/OR ENHANCE OUR REPUTATION, OR FAILURE TO DEAL WITH CUSTOMER COMPLAINTS MAY MATERIALLY AND ADVERSELY AFFECT OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We believe that our reputation and consumer perception of the quality of our services are critical to our business. Maintaining and enhancing our reputation depends on the quality and consistency of our services, as well as the success of our marketing and promotional efforts. We believe that maintaining and enhancing our reputation is essential to our efforts to maintain and expand our customer base. In addition, our reputation may be harmed by negative publicity or unfavourable forum discussions, whether accurate or not, relating to the services provided by the Group, such as service quality issues, repair time and quotations.

**IMPOSITION OF LAWS OR REGULATIONS RESTRICTING THE CARRYING ON OF OUR BUSINESS, GOVERNMENT POLICIES ON PASSENGER CAR PURCHASES AND OWNERSHIP THEREFORE RESTRICTING ROAD USE IN SINGAPORE, OR MEASURES TO ENCOURAGE THE USE OF PUBLIC TRANSPORT, MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.**

In Singapore, a certificate of entitlement ("COE") is required for the registration of a new vehicle in the appropriate vehicle category. A COE represents a right to vehicle ownership and use of the limited road space in Singapore for 10 years. The Singapore government controls the total number of vehicles in use by limiting the quota of COE. Any measures taken by the Singapore government to limit or reduce the number of passenger car registrations, therefore reducing the number of passenger cars on the roads, and/or measures to encourage the use of public transport, may materially and adversely affect the demand of our services.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, sales to the Group's five largest customers accounted for approximately 15.8% of total sales including sales to the largest customer which accounted for approximately 5.6% of total sales. The Group's five largest suppliers accounted for approximately 31.3% of total purchases during the year ended 31 December 2021 and purchases from the largest supplier included therein amounted to approximately 7.9% of total purchase.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the year ended 31 December 2021.

## SEGMENT INFORMATION

An analysis of the Group's performance for the year under review by operating segment is set out in Note 4 to the financial statements.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2021 are set out in the consolidated financial statement on pages 45 to 113 of this annual report.

The Board did not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

During the year ended 31 December 2021, there was no arrangement under which any Shareholder waived or agreed to waive any dividend.

## CHARITABLE DONATIONS

The Group did not make any material charitable donations during the year ended 31 December 2021 (2020: Nil).

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the published result and assets, liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 114 of this annual report. This summary does not form part of the audited financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2021 are set out in Note 27 to the financial statements.

## 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.

## PRE-EMPTIVE RIGHTS

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

## DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this report are as follows:

### EXECUTIVE DIRECTORS

Mr. WANG Lei *(Co-Chairman and Chief Executive Officer) (appointed on 9 February 2022)*
Mr. YAN Jianqiang *(Co-Chairman and Chief Executive Officer) (resigned on 9 February 2022)*
Mr. FENG Wei *(Co-Chairman) (appointed on 30 December 2021)*
Mr. WU Tangqing *(Co-Chairman) (resigned on 30 December 2021)*
Mr. CHUA Boon Hou (CAI Wenhao)

### NON-EXECUTIVE DIRECTORS

Mr. WANG Bing *(appointed on 30 December 2021)*
Mr. YUAN Guoshun *(resigned on 30 December 2021)*

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Yiu Cho
Mr. ZHANG Guangdong *(resigned on 31 March 2021)*
Mr. CHEN Huichun
Mr. ZHAO Wei *(appointed on 20 October 2021)*

In accordance with Article 108(a) of the Articles of Association, Mr. LEUNG Yiu Cho and Mr. CHEN Huichun will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 112 of the Articles of Association, Mr. WANG Lei, Mr. FENG Wei and Mr. WANG Bing will hold office only until the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The biographical details of the Directors and the senior management of the Company are set out in the section headed “Directors and Senior Management” of this annual report.

## DIRECTORS’ SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years commencing from the appointment date and is subject to termination in accordance with the terms of the service agreement.

The Non-Executive Director has signed an appointment letter with the Company for an initial term of three years which is subject to termination in accordance with its terms.

The Independent Non-Executive Directors have each signed an appointment letter with the Company for a term of three years and are subject to termination in accordance with their respective terms.

The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles of Association and the GEM Listing Rules.

Save as disclosed above, no Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company or any of their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

### LONG POSITION IN THE SHARES

| Name of 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 Shares in issue as at 31 December 2021, being 2,000,000,000.

(2) Mdm. Wang Chongyu is the spouse of Mr. CHEN Huichun ("Mrs. CHEN"). 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.

## 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 below) 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.

The Board may, at its discretion, invite any Executive, Non-Executive or Independent Non-Executive Directors or any employees (whether full-time or part-time) of the Company, or any of its subsidiaries or associated companies or any other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group ("Participants", each a "Participant") to take up the Options. The basis of eligibility of any of the class of the Participants to the grant of any Option shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group and any Invested Entity. Unless otherwise determined by the Board and specified in the offer letter to be given to the Participant at the time of the offer of the Option ("Offer"), there is neither any performance target that needs to be achieved by the Participant who accepts an Offer in accordance with the terms of the Share Option Scheme ("Grantee") before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised.

The subscription price for the Shares under the Share Option Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option, but in any case shall not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Offer is made by the Company to the Grantee (which date must be a Business Day, "Offer Date"); (b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the Offer Date (provided that the Offer Price shall be used as the closing price for any Business Day falling within the period before listing of the Shares where the Company has been listed for less than five (5) Business Days as at the Offer Date); and (c) the nominal value of a Share.

The amount payable by the grantee of an Option to the Company on acceptance of the offer for the grant of an Option is HK$1.00, which shall be payable within the period as the Board may determine and specify in the letter of Offer.

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue immediately following the listing of the Company on the Stock Exchange and the subdivision of shares of the Company approved on 3 April 2019 and become effective on 4 April 2019 (being 2,000,000,000 Shares). The maximum number of shares issuable under share options to each eligible participant in the Company's Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting. During the year ended 31 December 2021, the Company may grant options in respect of up to 200,000,000 Shares to the participants under the Share Option Scheme, being 10% of the issued shares of the Company as at the date of this report.

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 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.

## 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 year ended 31 December 2021 and up to the date of this report 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 other body corporate.

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

As at 31 December 2021, 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 | Nature of Interest | Number of Shares | Approximate Percentage of Shareholding in the Company as at 31 December 2021[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 Shares in issue as at 31 December 2021, being 2,000,000,000.

(2) Mdm. HAN Mei is the spouse of Mr. LI Jie ("Mrs. Li"). Under the SFO, Mrs. Li is deemed to be interested in the same number of Shares in which Mr. LI Jie is interested.

Save as disclosed above, as at the date of this report, 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 or Part XV of the SFO.

## DIRECTORS' REMUNERATION

Details of the remuneration of the Directors for the year ended 31 December 2021 are set out in Note 8 to the financial statements in this annual report. Mr. CHUA Boon Hou, Mr. YAN Jianqiang, Mr. WU Tangqing, Mr. YUAN Guoshun, Mr. ZHANG Guangdong, Mr. CHEN Huichun and Mr. ZHAO Wei waived emoluments of S$211,000, S$52,440, S$52,440, S$20,976, S$5,244, S$20,976 and S$4,079 respectively for the year ended 31 December 2021. Except these, no other directors waived or agreed to waive any emoluments for both years.

## EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2021 are set out in Note 30 to the financial statements. Such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

## 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.

## 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 report, 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 report.

## 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.

## INDEMNITY OF DIRECTORS

The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they shall incur or sustain in execution of their duty or supposed duty in their respective offices, except such as they shall incur or sustain through their own fraud or dishonesty.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company, or any of its subsidiaries was a party, and in which a Director or entity connected with such Director had a material interest, subsisted at any time during the year ended 31 December 2021.

## MANAGEMENT CONTRACTS

No contracts, other than the service contracts entered into with the Directors, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 December 2021.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is subject to local laws and regulations as well as various guidelines by the governmental agencies. In particular, our modifications, tuning and grooming services need to comply with specific rules in the Road Traffic Act under the purview of the Land Transport Authority. The environmental concern relating to the management of hazardous waste and waste water is particularly important to us, and to address this, we follow the best practices in toxic waste management and comply with relevant environmental standards, including the Environmental Public Health (Toxic Industrial Waste) Regulations issued by the National Environment Agency of Singapore. Other key laws and regulations relating to our business include the Workplace Health and Safety Act, Regulations of Imports and Exports, Employment Act and Employment of Foreign Manpower Act. There were no cases of non-compliance with relevant laws and regulations that had or would have had a significant impact on the Group during the year.

Our key stakeholders include customers, suppliers and employees. We continuously engage with them through daily interactions to understand and respond to their respective needs. We value our customers' feedback and use it to improve our services and quality of repairs. We also understand maintaining relationships with our suppliers and employees is vital to the Group's ability to meet its quality commitment. We build trusted relationships with brand name suppliers, and develop our employees' capabilities and address any potential workplace concerns in a timely manner. More specific details on our environmental, social and corporate governance ("ESG") policies will be found in our ESG report, to be published no later than 5 months after the year ended 31 December 2021.

## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2021 are set out in Note 25 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in Note 14 to the financial statements.

## DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group for the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 47 and Note 28 to the financial statements.

As at 31 December 2021, the Company had nil distributable reserve (31 December 2020: approximately S$1.5 million).

## MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any acquisition or disposal of subsidiaries or associates during the year ended 31 December 2021.

## RETIREMENT SCHEMES

Particulars of retirement schemes are set out in Note 2.22 to the financial statements.

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and, based on contents of such confirmation, considers all the independent non-executive Directors to be independent and that they have met the specific independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

## CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, save as disclosed in the section headed "Directors and Senior Management" in this report, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules during the year ended 31 December 2021.

## EVENTS AFTER THE REPORTING PERIOD

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

## CORPORATE GOVERNANCE

Details of the corporate governance practice adopted by the Company are set out on pages 17 to 27 of this annual report.

## 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.

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

## REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2021.

## THE GROUP'S COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

## AUDITORS

The financial statements of the Group for the year ended 31 December 2019 was audited by Ernst & Young. Ernst & Young resigned as auditor of the Company on 8 March 2021. CCTH CPA Limited was engaged as auditor of the Group with effect from 9 July 2021 to fill the casual vacancy following the resignation of Ernst & Young. The financial statements of the Group for the years ended 31 December 2020 and 2021 were audited by CCTH CPA Limited.

A resolution to re-appoint CCTH CPA Limited as auditor of the Company and to authorise the directors of the Company to fix its remuneration will be proposed at the forthcoming annual general meeting.

## 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
**WANG Lei**
*Co-Chairman, Chief Executive Officer and Executive Director*

13 May 2022

CCTH CPA LIMITED
中正天恆會計師有限公司

**To the Shareholders of Zheng Li Holdings Limited**

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

## OPINION

We have audited the consolidated financial statements of Zheng Li Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 113, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with *HKICPA's Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| **Loss allowance for trade receivables and loan receivables from third parties** | |
| The Group's trade receivables and loan receivables from third parties were significant as they represented 5% and 8% of the Group's total assets as at 31 December 2021, respectively. Trade receivables amounted to S$967,000 as at 31 December 2021, against which an allowance for expected credit losses ("ECLs") of S$62,000 was made. The loan receivables from third parties included in prepayments, other receivable and other assets amounted to S$1,618,000 as at 31 December 2021, against which no allowance for ECLs was made.<br><br>The Group uses a provision matrix to calculate the ECLs for trade receivables and loan receivables from third parties, which is determined based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The impairment assessment of trade receivables and loan receivables from third parties requires significant management's judgement and estimation. As such, we determined this as a key audit matter.<br><br>The Group's disclosures of the loss allowance for trade receivables and loan receivables from third parties are included in notes 2.12, 3, 19, and 20 to the consolidated financial statements. | We evaluated the Group's processes and controls relating to the monitoring of trade receivables and loan receivables from third parties and credit risks of customers. Our audit procedures included requesting confirmations for selected debtors and checking to receipts from customers subsequent to the year end, and checking to monthly instalments repaid by third party debtors. We also evaluated management's assumptions and estimates used to determine the ECLs through analyses of the ageing of receivables, assessment of material overdue individual trade receivables, customers' payment history, credit report issued by the government authority and correspondences between the Group and the customers. In addition, we evaluated management's assumptions and inputs used in the computation of historical loss rates and assessed the management's assumptions used in considering the forward-looking factors.<br><br>We also assessed the adequacy of the relevant disclosures in the consolidated financial statements. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**CCTH CPA Limited**
*Certified Public Accountants*
Hong Kong, 13 May 2022

**HONG Ting**
Practising certificate number: P07069

Unit 1510–1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

| | Notes | **2021**<br>**S$'000** | 2020<br>S$'000 |
|---|---|---|---|
| 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 | 9 | **(6,365)** | (6,167) |
| Depreciation of property, plant and equipment | 14 | **(1,667)** | (1,787) |
| Depreciation of right-of-use assets | 15 | **(705)** | (943) |
| Amortisation of intangible assets | 16 | **(2)** | (6) |
| Impairment loss on intangible assets | 16 | **–** | (497) |
| Reversal of impairment losses of trade receivables, net | 19 | **–** | 152 |
| Written off of trade receivables | | **–** | (2) |
| Finance costs | 7 | **(202)** | (290) |
| Other expenses | | **(1,513)** | (1,543) |
| **(LOSS)/PROFIT BEFORE TAX** | 6 | **(441)** | 1,145 |
| **Income tax expense** | 11 | **(118)** | (67) |
| **(LOSS)/PROFIT FOR THE YEAR** | | **(559)** | 1,078 |
| **OTHER COMPREHENSIVE EXPENSE** | | | |
| *Item that may be subsequently reclassified to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | **(10)** | (9) |
| **TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR** | | **(569)** | 1,069 |
| (Loss)/profit attributable to owners of the Company | | **(559)** | 1,078 |
| Total comprehensive (expense)/income attributable to owners of the Company | | **(569)** | 1,069 |
| | | **2021**<br>**S$ cents**<br>**per share** | 2020<br>S$ cents<br>per share |
| **(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY** | 13 | | |
| – Basic | | **(0.03)** | 0.05 |
| – Diluted | | **N/A** | N/A |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Notes | 2021<br>S$'000 | 2020<br>S$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | **3,818** | 5,481 |
| Right-of-use assets | 15 | **875** | 1,532 |
| Intangible assets | 16 | **–** | 2 |
| Financial assets at fair value through profit or loss | 17 | **582** | 537 |
| Prepayments, other receivables and other assets | 20 | **1,174** | 1,267 |
| **Total non-current assets** | | **6,449** | 8,819 |
| **CURRENT ASSETS** | | | |
| Inventories | 18 | **975** | 1,236 |
| Trade receivables | 19 | **967** | 1,387 |
| Prepayments, other receivables and other assets | 20 | **7,194** | 6,826 |
| Cash and cash equivalents | 21 | **4,131** | 1,768 |
| **Total current assets** | | **13,267** | 11,217 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 22 | **2,959** | 3,257 |
| Bank and other borrowings | 25 | **2,575** | 3,294 |
| Contract liabilities | 24 | **2,383** | 1,673 |
| Tax payable | | **122** | 12 |
| **Total current liabilities** | | **8,039** | 8,236 |
| **NET CURRENT ASSETS** | | **5,228** | 2,981 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **11,677** | 11,800 |
| **NON-CURRENT LIABILITIES** | | | |
| Bank and other borrowings | 25 | **502** | 1,542 |
| Trade and other payables | 22 | **2,206** | 721 |
| Provisions | 23 | **413** | 413 |
| Contract liabilities | 24 | **916** | 915 |
| Deferred tax liabilities | 26 | **12** | 12 |
| **Total non-current liabilities** | | **4,049** | 3,603 |
| **NET ASSETS** | | **7,628** | 8,197 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 27 | **900** | 900 |
| Reserves | | **6,728** | 7,297 |
| **TOTAL EQUITY** | | **7,628** | 8,197 |

The consolidated financial statements on pages 45 to 113 were approved and authorised for issue by the board of directors on 13 May 2022:

| **FENG Wei**<br>*Director* | **WANG Lei**<br>*Director* |
|---|---|

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital S$'000 | Share premium* S$'000 | Other capital reserve* S$'000 | Merger reserve* S$'000 | Foreign currency translation reserve* S$'000 | Accumulated losses* S$'000 | Total equity S$'000 |
| **At 1 January 2020** | 900 | 8,982 | 126 | 3,884 | 3 | (6,767) | 7,128 |
| Total comprehensive (expense)/ income for the year | – | – | – | – | (9) | 1,078 | 1,069 |
| **At 31 December 2020** | 900 | 8,982 | 126 | 3,884 | (6) | (5,689) | 8,197 |
| At 1 January 2021 | **900** | **8,982** | **126** | **3,884** | **(6)** | **(5,689)** | **8,197** |
| Total comprehensive expense for the year | **–** | **–** | **–** | **–** | **(10)** | **(559)** | **(569)** |
| **At 31 December 2021** | **900** | **8,982** | **126** | **3,884** | **(16)** | **(6,248)** | **7,628** |

Details regarding the share premium, other capital reserve and merger reserve are set out in note 28 to the consolidated financial statements.

* These reserve accounts comprise the consolidated reserves of S$6,728,000 (2020: S$7,297,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

| | 2021<br>S$'000 | 2020<br>S$'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| (Loss)/profit before tax | **(441)** | 1,145 |
| Adjustments for: | | |
| 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 |
| Fair value gain on financial assets at fair value through profit or loss | **(21)** | (83) |
| Gain on disposal of property, plant and equipment | **(61)** | (30) |
| Reversal of impairment losses of trade receivables, net | **–** | (152) |
| Interest expenses | **157** | 256 |
| (Gain)/loss on disposal of right-of-use assets | **(5)** | 36 |
| Written off of trade receivables | **–** | 2 |
| Allowance for inventory obsolescence | **333** | 47 |
| Sales deposits forfeited | **–** | (859) |
| Decrease in provisions | **–** | (114) |
| Operating cash flows before movements in working capital | **2,336** | 3,481 |
| Increase in inventories | **(72)** | (422) |
| Decrease in trade receivables | **420** | 1,024 |
| Increase in prepayments, other receivables and other assets | **(275)** | (2,939) |
| (Decrease)/increase in trade and other payables | **(225)** | 1,456 |
| Increase/(decrease) in contract liabilities | **711** | (566) |
| Cash generated from operations | **2,895** | 2,034 |
| Interest paid | **(157)** | (256) |
| Income tax (paid)/refunded | **(91)** | 116 |
| Net cash flows from operating activities | **2,647** | 1,894 |

| | Notes | 2021 S$'000 | 2020 S$'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of items of property, plant and equipment | | **(33)** | (201) |
| Purchase of items of intangible assets | 16 | **–** | (3) |
| Purchase of financial assets at fair value through profit or loss | | **(24)** | – |
| Proceeds from disposal of property, plant and equipment | | **90** | 136 |
| Net cash flows from/(used in) investing activities | | **33** | (68) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | 29(b) | **1,500** | 2,180 |
| Repayment of bank and other borrowings | 29(b) | **(2,180)** | (1,838) |
| Increase/(decrease) in an amount due to a shareholder | 29(b) | **1,485** | (136) |
| Repayment of lease liabilities | 29(b) | **(1,122)** | (1,368) |
| Net cash flows used in financing activities | | **(317)** | (1,162) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **2,363** | 664 |
| Cash and cash equivalents at beginning of year | | **1,768** | 1,106 |
| Effect of exchange rate changes, net | | **–** | (2) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **4,131** | 1,768 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Bank balances and cash | 21 | **4,131** | 1,768 |

## 1. CORPORATE AND GROUP INFORMATION

Zheng Li Holdings Limited (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

### INFORMATION ABOUT SUBSIDIARIES

The Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

| Company name | Place of incorporation/ registration and business | Issued ordinary share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| | | S$'000 | % | % | |
| MBM International Holdings Pte. Ltd. ("MBMI") | Singapore | 4,500 | 100 | – | Investment holding |
| MBM Wheelpower Pte. Ltd. ("MBM") | Singapore | 125 | – | 100 | Maintenance and repair of passenger cars |
| KBS Motorsports Pte. Ltd. ("KBS") | Singapore | 100 | – | 100 | Modification, tuning and grooming of the performance or appearance of passenger cars, trading of spare parts and accessories, and provision of motor finance services |

| Company name | Place of incorporation/ registration and business | Issued ordinary share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| | | S$'000 | % | % | |
| Oriental Achiever Limited | British Virgin Islands | N.m. | 100 | – | Investment holding |
| Oriental Versed Limited | British Virgin Islands | N.m. | 100 | – | Investment holding |
| World Brilliant Investments Limited | Hong Kong | N.m. | – | 100 | Investment holding |
| Dragon Hero International Limited | Hong Kong | N.m. | – | 100 | Investment holding |
| Shenzhen Dacheng Technology Limited** | PRC* | N.m. | – | 100 | Timeshare car rental and long-term car rental |
| Zhengzhou Car Zhujiao Car Sales Limited** | PRC* | N.m. | – | 100 | Trading of passenger cars |

None of the subsidiaries had issued any debt securities at the end of the year.

* "PRC" represents the People's Republic of China excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan.

** Shenzhen Dacheng Technology Limited and Zhengzhou Car Zhujiao Car Sales Limited are registered as wholly-foreign-owned enterprises under PRC law.

N.m.: Amount less than S$1,000.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

These 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.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. 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 assets and liabilities, equity, income, expenses and cash flows 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, or the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

**Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to IFRSs issued by 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 IFRSs 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.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

**New and amendments to IFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to IFRSs 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[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 IFRSs | Annual Improvements to IFRSs 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 IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs 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"*

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".

*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.

## 2.4 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

| | | |
|---|---|---|
| Level 1 | – | based on quoted prices (unadjusted) in active markets for identical assets or liabilities |
| Level 2 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly |
| Level 3 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 2.5 IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

### 2.6 RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### 2.7 PROPERTIES, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment used are as follows:

| | | |
|---|---|---|
| Freehold property | – | 50 years |
| Computers | – | 3 years |
| Motor vehicles | – | 5 years |
| Furniture and fittings | – | 5 years |
| Office equipment | – | 5 years |
| Renovation | – | 5 years |
| Tools and machinery | – | 5 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

## 2.8 INTANGIBLE ASSETS

Intangible assets acquired separately is measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets of the Group are assessed as finite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

### Software

Software is acquired separately and is amortised on the straight-line basis over its estimated useful life of 3 to 5 years.

## 2.9 LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Group as a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Properties | 1 to 5 years |
| Equipment | 3 to 4 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date when the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in bank and other borrowings.

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

**Group as a lessor**

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income of such leases is recognised in profit or loss so as to provide a constant periodic rate of charge over the lease terms.

## 2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

## 2.11 DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

## 2.12 IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### General approach

ECLs for other receivables are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

| | | |
|---|---|---|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

## 2.13 FINANCIAL LIABILITIES

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as bank and other borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of bank and other borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, and interest-bearing bank and other borrowings.

**Subsequent measurement**

The subsequent measurement of loans and borrowings is as follows:

*Financial liabilities at amortised cost (bank and other borrowings and payables)*

After initial recognition, these financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

## 2.14 DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

## 2.15 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of inventories comprises cost of purchasing finished goods. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

## 2.16 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

### 2.17 PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

### 2.18 INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 2.19 GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

## 2.20 REVENUE RECOGNITION

**Revenue from contracts with customers**

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

*(a) Sale of goods*

Revenue from the sale of spare parts, accessories and passenger cars is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

*(b) Rendering of services – maintenance and repair services*

The Group provides maintenance and repair services, which relates to the repair of the 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.

Revenue from maintenance and repairs services is recognised at the point in time when services have been rendered because the customer cannot simultaneously receives and consumes the benefits provided by the Group.

*(c) Provision of modification, tuning and grooming services*

The Group provides modification, tuning and grooming services that are either sold separately or bundled together with the sale of products to a customer. For bundled packages, the Group accounts for the sale of products and services separately. The modification, tuning and grooming services can be obtained from other providers and do not significantly customise or modify the products.

Contracts for bundled sales of products and services are comprised of two performance obligations because the promises to transfer the products and provide installation services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative standalone selling prices of the products and modification, tuning and grooming services.

Revenue from modification, tuning and grooming services is recognised at the point in time when the services have been rendered because the customer cannot simultaneously receives and consumes the benefits provided by the Group.

*(d) Provision of a sales-integrated service platform*

Revenue from the provision of marketing platform to customer is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

*(e) Sale of extended warranty*

Revenue from sale of extended warranty is recognised on a straight-line basis over the extended warranty period.

*(f) Provision of motor finance services*

Revenue from the provision of motor finance service is recognised over the scheduled repayment period because the customer simultaneously receives and consumes the benefits provided by the Group.

**Revenue from other resources**

Rental income is recognised on a time proportion basis over the lease terms.

**Other income**

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

## 2.21 CONTRACT LIABILITIES

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

## 2.22 EMPLOYEE BENEFITS

The employees of the Group's subsidiaries which operate in Mainland China and Singapore are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China and Singapore are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

## 2.23 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.24 FOREIGN CURRENCIES

The functional currency of the Company is S$. The functional currency of the subsidiaries incorporated in Singapore is S$. As the Group mainly operates in Singapore, S$ is used as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Singapore dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Singapore dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Singapore dollar at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

## 3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Provision for ECLs on trade receivables and loan receivables from third parties**

The Group uses a provision matrix to calculate ECLs for trade receivables and loan receivables from third parties. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, age, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., unemployment rate and consumer credit index) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and loan receivables from third parties is disclosed in notes 19 and 20 to the consolidated financial statements.

**Allowance for inventory obsolescence**

Allowance for inventory obsolescence is based on management's judgement using the available facts and circumstances, including, but not limited to, the inventories' own physical conditions, their market selling prices, and estimated selling costs of the inventories. The allowance is re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amounts of the Group's inventories as at 31 December 2021 and 2020 were S$975,000 and S$1,236,000, respectively.

## 4. 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 | (4,821) | (1,374) | (34) | – | (6,229) |
| Depreciation and amortisation expense | (2,156) | (303) | (80) | 165 | (2,374) |
| Other expenses | (823) | (216) | (143) | 156 | (1,026) |
| Segment (loss)/profit | (68) | (108) | 28 | (192) | (340) |
| Unallocated other expenses | | | | | (487) |
| Unallocated other income and gains | | | | | 724 |
| Unallocated employee benefits expense | | | | | (136) |
| Unallocated finance costs | | | | | (202) |
| Loss before tax | | | | | (441) |
| Income tax expense | | | | | (118) |
| Loss for the year | | | | | (559) |

| 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) | 129 | (1,669) |
| Segment (loss)/profit | (26) | (64) | (709) | 295 | (504) |
| Unallocated other expenses | | | | | (371) |
| 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 |
| Income tax expense | | | | | (67) |
| Profit for the year | | | | | 1,078 |

| As at 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 |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Property, plant and equipment | 1,445 | 246 | 2,127 | – | 3,818 |
| Right-of-use assets | 930 | 229 | 7 | (291) | 875 |
| Other segment assets | 11,117 | 5,329 | 7,302 | (8,753) | 14,995 |
| Segment assets | 13,492 | 5,804 | 9,436 | (9,044) | 19,688 |
| Unallocated assets* | | | | | 28 |
| Total assets | | | | | 19,716 |
| **Liabilities:** | | | | | |
| Segment liabilities | 7,119 | 2,386 | 2,869 | (2,577) | 9,797 |
| Unallocated liabilities* | | | | | 2,291 |
| Total liabilities | | | | | 12,088 |
| **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 and exclude financial instruments.

| As at 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 |
| Other segment assets | 8,037 | 5,483 | 443 | (1,278) | 12,685 |
| Segment assets | 12,529 | 6,248 | 487 | (1,734) | 17,530 |
| 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. 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 and exclude financial instruments.

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 | **1,370** | 1,115 |
| Others | **5** | 8 |
| | **20,233** | 20,421 |

**(b) Non-current assets**

| | 2021 S$'000 | 2020 S$'000 |
|---|---|---|
| **Geographical information** | | |
| Singapore | **3,684** | 6,074 |
| Mainland China | **2,183** | 2,208 |
| | **5,867** | 8,282 |

The revenue information is based on the locations of the customers and the non-current asset information is based on the locations of the assets and excludes financial instruments.

## 5. 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<br>S$'000 | 2020<br>S$'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 (note 23) | **–** | 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.

### (I) DISAGGREGATED REVENUE INFORMATION

**For the 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$'000 | Total S$'000 |
|---|---|---|---|---|
| **Type of goods or services** | | | | |
| Sale of goods of industrial products | – | 4,899 | – | 4,899 |
| Rendering of services | 13,769 | 688 | – | 14,457 |
| Provision of motor finance services | – | – | 105 | 105 |
| Sale of extended warranty | 772 | – | – | 772 |
| | 14,541 | 5,587 | 105 | 20,233 |
| **Geographical markets** | | | | |
| Singapore | 14,541 | 3,085 | 105 | 17,731 |
| Mainland China | – | 1,127 | – | 1,127 |
| Other Asia-Pacific countries | – | 1,370 | – | 1,370 |
| Others | – | 5 | – | 5 |
| Total revenue from contracts with customers | 14,541 | 5,587 | 105 | 20,233 |
| **Timing of revenue recognition** | | | | |
| Services and goods transferred at a point in time | 13,968 | 5,587 | – | 19,555 |
| Services transferred over time | 573 | – | 105 | 678 |
| Total revenue from contracts with customers | 14,541 | 5,587 | 105 | 20,233 |

For the 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$'000 | Total S$'000 |
|---|---|---|---|---|
| **Type of goods or services** | | | | |
| Sale of goods of industrial products | – | 4,081 | 799 | 4,880 |
| Rendering of services | 13,795 | 713 | – | 14,508 |
| Provision of motor finance services | – | – | 138 | 138 |
| Provision of a sales-integrated service platform | – | – | 17 | 17 |
| Sale of extended warranty | 878 | – | – | 878 |
| | 14,673 | 4,794 | 954 | 20,421 |
| **Geographical markets** | | | | |
| Singapore | 14,673 | 2,934 | 138 | 17,745 |
| Mainland China | – | 737 | 816 | 1,553 |
| Other Asia-Pacific countries | – | 1,115 | – | 1,115 |
| Others | – | 8 | – | 8 |
| Total revenue from contracts with customers | 14,673 | 4,794 | 954 | 20,421 |
| **Timing of revenue recognition** | | | | |
| Services and goods transferred at a point in time | 13,795 | 4,794 | 799 | 19,388 |
| Services transferred over time | 878 | – | 155 | 1,033 |
| Total revenue from contracts with customers | 14,673 | 4,794 | 954 | 20,421 |

### (II) PERFORMANCE OBLIGATIONS

Information about the Group's performance obligations is summarised below:

**Sale of industrial products**

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

**Maintenance and repair services and modification, tuning and grooming services**

The performance obligation is satisfied at a point in time as services are rendered and payment is generally due upon completion of services and customer acceptance.

**Provision of motor finance services**

The performance obligation is satisfied over time as services are rendered and payment is due according to the monthly instalment schedule.

**Provision of a sales-integrated service platform and sale of extended warranty**

The performance obligation is satisfied over time as services are rendered and upfront payment is required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

| | **2021**<br>**S$'000** | 2020<br>S$'000 |
|---|---|---|
| Amounts expected to be recognised as revenue: | | |
| Within one year | **1,367** | 1,504 |
| After one year | **916** | 915 |
| | **2,283** | 2,419 |

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to sales of extended warranty, of which the performance obligations that are to be satisfied after one year. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

## 6. (LOSS)/PROFIT BEFORE TAX

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

| | Notes | **2021 S$'000** | 2020 S$'000 |
|---|---|---|---|
| Auditor's remuneration | | **225** | 213 |
| Staff costs (excluding directors' and chief executive's remuneration) | 9 | **6,344** | 5,874 |
| Depreciation of property, plant and equipment | 14 | **1,667** | 1,787 |
| Depreciation of right-of-use assets | 15(a) | **705** | 943 |
| Amortisation of intangible assets | 16 | **2** | 6 |
| Impairment loss on intangible assets | 16 | **–** | 497 |
| Reversal of impairment losses of trade receivables, net | 19 | **–** | (152) |
| Lease payments not included in the measurement of lease liabilities | 15(c) | **156** | – |
| Written off of trade receivables | | **–** | 2 |
| Foreign exchange losses | | **21** | 42 |
| Allowance for inventory obsolescence | 18 | **333** | 47 |
| (Gain)/loss on disposal of right-of-use assets | | **(5)** | 36 |

## 7. FINANCE COSTS

| | **2021 S$'000** | 2020 S$'000 |
|---|---|---|
| Interest expenses | | |
| – Bank loans | **100** | 125 |
| – Lease liabilities | **57** | 131 |
| Bank charges | **45** | 34 |
| | **202** | 290 |

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

| | **2021 S$'000** | 2020 S$'000 |
|---|---|---|
| Fees | **21** | 82 |
| Salaries, allowances and benefits in kind | **–** | 196 |
| Discretionary performance-related bonuses | **–** | – |
| Pension scheme contributions | **–** | 15 |
| | **21** | 293 |

The emoluments paid or payable to each of the directors and the chief executive of the Company for the year were as follows:

| Year ended 31 December 2021 | Fees S$'000 | Salaries, allowances and benefits in kind S$'000 | Discretionary performance-related bonuses S$'000 | Pension scheme contributions S$'000 | Total remuneration S$'000 |
|---|---|---|---|---|---|
| **(a) Executive directors:** | | | | | |
| Mr. CHUA Boon Hou (Cai Wenhao) (note i) | – | – | – | – | – |
| Mr. YAN Jianqiang (note ii) | – | – | – | – | – |
| Mr. WU Tangqing (note iii) | – | – | – | – | – |
| Mr. FENG Wei (note viii) | – | – | – | – | – |
| | – | – | – | – | – |
| **(b) Non-executive director:** | | | | | |
| Mr. YUAN Guoshun (note iv) | – | – | – | – | – |
| Mr. WANG Bing (note x) | – | – | – | – | – |
| | – | – | – | – | – |
| **(c) Independent non-executive directors:** | | | | | |
| Mr. LEUNG Yiu Cho (note v) | 21 | – | – | – | 21 |
| Mr. ZHANG Guangdong (note vi) | – | – | – | – | – |
| Mr. CHEN Huichun (note vii) | – | – | – | – | – |
| Mr. ZHAO Wei (note xi) | – | – | – | – | – |
| | 21 | – | – | – | 21 |
| | 21 | – | – | – | 21 |

| Year ended 31 December 2020 | Fees S$'000 | Salaries, allowances and benefits in kind S$'000 | Discretionary performance-related bonuses S$'000 | Pension scheme contributions S$'000 | Total remuneration S$'000 |
|---|---|---|---|---|---|
| **(a) Executive directors:** | | | | | |
| Mr. CHUA Boon Hou (Cai Wenhao) (note i) | – | 196 | – | 15 | 211 |
| Mr. YAN Jianqiang (note ii) | – | – | – | – | – |
| Mr. WU Tangqing (note iii) | – | – | – | – | – |
| | – | 196 | – | 15 | 211 |
| **(b) Non-executive director:** | | | | | |
| Mr. YUAN Guoshun (note iv) | – | – | – | – | – |
| | – | – | – | – | – |
| **(c) Independent non-executive directors:** | | | | | |
| Mr. LEUNG Yiu Cho (note v) | 82 | – | – | – | 82 |
| Mr. ZHANG Guangdong (note vi) | – | – | – | – | – |
| Mr. CHEN Huichun (note vii) | – | – | – | – | – |
| | 82 | – | – | – | 82 |
| | 82 | 196 | – | 15 | 293 |

Mr. CHUA Boon Hou, Mr. YAN Jianqiang, Mr. WU Tangqing, Mr. YUAN Guoshun, Mr. ZHANG Guangdong, Mr. CHEN Huichun and Mr. ZHAO Wei waived emoluments of S$211,000, S$52,440, S$52,440, S$20,976, S$5,244, S$20,976 and S$4,079 respectively for the year ended 31 December 2021 (2020: Nil). Except these, no other directors waived or agreed to waive any emoluments for both years.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the non-executive directors and independent non-executive directors shown above were paid for their services as directors of the Company.

Notes:

(i) Mr. CHUA Boon Hou (Cai Wenhao) was appointed as an executive director of the Company on 13 April 2016.

(ii) Mr. YAN Jianqiang was appointed as an executive director of the Company on 12 October 2018 and resigned on 9 February 2022.

(iii) Mr. WU Tangqing was appointed as a non-executive director of the Company on 23 April 2018, re-designated as an executive director on 7 April 2020 and resigned on 30 December 2021.

(iv) Mr. YUAN Guoshun was re-designated as a non-executive director of the Company on 7 April 2020 and resigned on 30 December 2021.

(v) Mr. LEUNG Yiu Cho was appointed as an independent non-executive director of the Company on 21 October 2016.

(vi) Mr. ZHANG Guangdong was appointed as an independent non-executive directors of the Company on 27 June 2018 and resigned on 31 March 2021.

(vii) Mr. CHEN Huichun was appointed as an independent non-executive director of the Company on 11 September 2019.

(viii) Mr. FENG Wei was appointed as an executive director of the Company on 30 December 2021.

(ix) Mr. WANG Lei was appointed as an executive director of the Company on 9 February 2022.

(x) Mr. WANG Bing was appointed as a non-executive director of the Company on 30 December 2021.

(xi) Mr. ZHAO Wei was appointed as an independent non-executive director of the Company on 20 October 2021.

## 9. EMPLOYEE BENEFITS EXPENSE

| | **2021**<br>**S$'000** | 2020<br>S$'000 |
|---|---|---|
| Directors' emoluments (note 8): | | |
| – Fees | **21** | 82 |
| – Salaries, allowances and benefits in kind | **–** | 196 |
| – Discretionary performance-related bonuses | **–** | – |
| – Pension scheme contributions | **–** | 15 |
| | **21** | 293 |
| Staff costs (excluding directors' remuneration): | | |
| – Salaries and bonuses | **5,358** | 4,821 |
| – Pension scheme contributions | **480** | 435 |
| – Foreign worker levy | **192** | 197 |
| – Staff welfare and others | **314** | 421 |
| | **6,344** | 5,874 |
| | **6,365** | 6,167 |

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year did not include any director (2020: one), details of whose remuneration are set out in note 8 above. Details of the remuneration of the five (2020: four) highest paid employees who are neither a director nor chief executive of the Group for the year are as follows:

| | 2021<br>S$'000 | 2020<br>S$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **870** | 538 |
| Discretionary performance-related bonuses | **18** | 12 |
| Pension scheme contributions | **92** | 48 |
| | **980** | 598 |

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

| | Number of employees | |
|---|---|---|
| | 2021 | 2020 |
| Nil to HK$1,000,000 (equivalent to S$172,900) | **4** | 4 |
| HK$2,500,001 to HK$3,000,000 (equivalent to S$432,251 to S$518,700) | **1** | – |

During the years ended 31 December 2021 and 2020, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

## 11. 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 for both years.

Subsidiaries in the PRC are subject to taxation at a rate of 25% on the estimated profits arising in the PRC for both years.

| | **2021**<br>**S$'000** | 2020<br>S$'000 |
|---|---|---|
| Current income tax (Singapore income tax) | | |
| – Current year | **118** | 63 |
| – Under provision in prior years | **–** | 4 |
| Income tax expense | **118** | 67 |

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

| | **2021**<br>**S$'000** | **%** | 2020<br>S$'000 | % |
|---|---|---|---|---|
| (Loss)/profit before tax | **(441)** | | 1,145 | |
| Tax at the statutory tax rate | **(90)** | **(20.41)** | 296 | (25.85) |
| Income not subject to tax | **(39)** | | (334) | |
| Expenses not deductible for tax | **252** | | 319 | |
| Tax losses not recognised | **47** | | 155 | |
| Effect of partial tax exemption and tax relief | **(36)** | | (31) | |
| Additional deductible allowance for capital expenditure | **–** | | (324) | |
| Under provision in prior years | **–** | | 4 | |
| Others | **(16)** | | (18) | |
| Income tax expense | **118** | **26.76** | 67 | (5.85) |

## 12. DIVIDENDS

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

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

The calculation of the basic and diluted (loss)/earnings per share is based on the following data:

| | 2021<br>S$'000 | 2020<br>S$'000 |
|---|---|---|
| **(Loss)/earning for the purpose of basic (loss)/earnings per share** | | |
| (Loss)/profit for the year attributable to the owners of the Company | **(559)** | 1,078 |

| | 2021<br>'000 | 2020<br>'000 |
|---|---|---|
| **Number of shares for the purpose of basic (loss)/earnings per share** | | |
| Weighted average number of ordinary shares | **2,000,000** | 2,000,000 |

Basic loss per share for the year ended 31 December 2021 is S$0.03 cents (2020: basic earnings per share of S$0.05 cents).

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020, accordingly diluted (loss)/earnings per share is not presented.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Freehold property S$'000 | Computers S$'000 | Motor vehicles S$'000 | Furniture and fittings S$'000 | Office equipment S$'000 | Renovation S$'000 | Tools and machinery S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2021** | | | | | | | | |
| As at 1 January 2021 | | | | | | | | |
| Cost | 2,583 | 91 | 2,616 | 824 | 323 | 4,193 | 1,642 | 12,272 |
| Accumulated depreciation | (416) | (63) | (1,292) | (569) | (244) | (2,953) | (1,254) | (6,791) |
| Carrying amount | 2,167 | 28 | 1,324 | 255 | 79 | 1,240 | 388 | 5,481 |
| As at 1 January 2021 | 2,167 | 28 | 1,324 | 255 | 79 | 1,240 | 388 | 5,481 |
| Additions, at cost | – | – | 17 | 1 | 2 | 2 | 11 | 33 |
| Disposals | – | – | (29) | – | – | – | – | (29) |
| Depreciation provided during the year (note 6) | (52) | (18) | (452) | (151) | (43) | (714) | (237) | (1,667) |
| As at 31 December 2021 | 2,115 | 10 | 860 | 105 | 38 | 528 | 162 | 3,818 |
| As at 31 December 2021 | | | | | | | | |
| Cost | 2,583 | 91 | 2,416 | 825 | 325 | 4,195 | 1,653 | 12,088 |
| Accumulated depreciation | (468) | (81) | (1,556) | (720) | (287) | (3,667) | (1,491) | (8,270) |
| Carrying amount | 2,115 | 10 | 860 | 105 | 38 | 528 | 162 | 3,818 |
| **As at 31 December 2020** | | | | | | | | |
| As at 1 January 2020 | | | | | | | | |
| Cost | 2,583 | 84 | 2,953 | 983 | 435 | 4,996 | 1,781 | 13,815 |
| Accumulated depreciation | (364) | (43) | (1,263) | (579) | (310) | (2,972) | (1,112) | (6,643) |
| Carrying amount | 2,219 | 41 | 1,690 | 404 | 125 | 2,024 | 669 | 7,172 |
| As at 1 January 2020 | 2,219 | 41 | 1,690 | 404 | 125 | 2,024 | 669 | 7,172 |
| Additions, at cost | – | 7 | 190 | 4 | – | – | – | 201 |
| Disposals | – | – | (87) | – | – | – | (19) | (106) |
| Depreciation provided during the year (note 6) | (52) | (20) | (469) | (153) | (47) | (784) | (262) | (1,787) |
| Exchange difference | – | – | – | – | 1 | – | – | 1 |
| As at 31 December 2020 | 2,167 | 28 | 1,324 | 255 | 79 | 1,240 | 388 | 5,481 |
| As at 31 December 2020 | | | | | | | | |
| Cost | 2,583 | 91 | 2,616 | 824 | 323 | 4,193 | 1,642 | 12,272 |
| Accumulated depreciation | (416) | (63) | (1,292) | (569) | (244) | (2,953) | (1,254) | (6,791) |
| Carrying amount | 2,167 | 28 | 1,324 | 255 | 79 | 1,240 | 388 | 5,481 |

The freehold property is located at 9 Tagore Lane #03-10, 9@Tagore, Singapore 787472 and represents a commercial unit in a building for the Group's warehousing purpose. The carrying amount of the Group's freehold property as at 31 December 2021 was S$2,115,000 (2020: S$2,167,000), and the property was mortgaged as security for the facilities as set out in note 25 to the consolidated financial statements.

### ASSETS HELD UNDER FINANCE LEASES

The carrying amount of motor vehicles held under finance leases at the end of the reporting period was S$495,000 (2020: S$827,000).

## 15. LEASES

### THE GROUP AS A LESSEE

The Group has lease contracts for various items of properties, motor vehicles and other equipment used in its operations. Leases of properties generally have lease terms between 1 and 5 years, while motor vehicles generally have lease terms of 5 years. Other equipment generally has lease terms between 3 and 4 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

**(a) Right-of-use assets**

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | Properties S$'000 | Equipment S$'000 | Total S$'000 |
|---|---|---|---|
| As at 1 January 2020 | 2,559 | 38 | 2,597 |
| Additions | 215 | 15 | 230 |
| Depreciation charge | (923) | (20) | (943) |
| Disposals | (347) | (5) | (352) |
| As at 31 December 2020 | 1,504 | 28 | 1,532 |
| Additions | – | 60 | 60 |
| Depreciation charge | (690) | (15) | (705) |
| Disposals | – | (12) | (12) |
| As at 31 December 2021 | 814 | 61 | 875 |

**(b) Lease liabilities**

The carrying amount of lease liabilities (included under bank and other borrowings) and the movements during the year are as follows:

| | 2021<br>S$'000 | 2020<br>S$'000 |
|---|---|---|
| Carrying amount 1 January | **2,656** | 4,110 |
| New leases | **60** | 230 |
| Disposals | **(17)** | (316) |
| Accretion of interest recognised during the year | **57** | 131 |
| Payments | **(1,179)** | (1,499) |
| Carrying amount at 31 December | **1,577** | 2,656 |
| Analysed into: | | |
| Current portion (note 25) | **1,075** | 1,114 |
| Non-current portion (note 25) | **502** | 1,542 |

The maturity analysis of lease liabilities is disclosed in note 25 to the consolidated financial statements.

**(c)** The amounts recognised in profit or loss in relation to leases are as follows:

| | 2021<br>S$'000 | 2020<br>S$'000 |
|---|---|---|
| Interest on lease liabilities | **57** | 131 |
| Depreciation charge of right-of-use assets | **705** | 943 |
| Expense relating to short-term leases | **156** | – |
| Total amount recognised in profit or loss | **918** | 1,074 |

## 16. INTANGIBLE ASSETS

| | Software<br>S$'000 |
|---|---|
| **As at 31 December 2021** | |
| Carrying amount as at 1 January 2021 | **2** |
| Amortisation provided for the year (note 6) | **(2)** |
| Carrying amount as at 31 December 2021 | **–** |
| As at 31 December 2021 | |
| Cost | **936** |
| Accumulated amortisation and impairment loss | **(936)** |
| Carrying amount | **–** |
| **As at 31 December 2020** | |
| Carrying amount as at 1 January 2020 | 509 |
| Additions, at cost | 3 |
| Amortisation provided for the year (note 6) | (6) |
| Impairment loss recognised | (497) |
| Exchange realignment | (7) |
| Carrying amount as at 31 December 2020 | 2 |
| As at 31 December 2020 | |
| Cost | 936 |
| Accumulated amortisation and impairment loss | (934) |
| Carrying amount | 2 |

As at 31 December 2021, the software of the Group had been fully amortised.

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2021 S$'000 | 2020 S$'000 |
|---|---|---|
| Financial assets at fair value through profit or loss | | |
| Life insurance policy, at fair value (note a) | **558** | 537 |
| Listed equity securities | | |
| – overseas (note b) | **24** | – |
| | **582** | 537 |

Notes:

(a) The Group has entered into a life insurance policy with an insurance company to insure the executive director of a subsidiary of the Company. Under this policy, the Group is the beneficiary and the policyholder. The Group paid upfront premiums for this policy and may surrender any time by filing a written request and receive cash based on the surrender value of the policy at the date of withdrawal, which is calculated by the insurer. In the opinion of the Directors, the surrender value of the policy provided by the insurance company is the best approximation of its fair value, which is categorised within Level 3 of the fair value hierarchy. An increase/decrease of 5% in the surrender value of the policy would result in an increase/decrease of S$24,000 (2020: S$5,000) in profit (loss) after tax. This life insurance policy is pledged to secure interest bearing loans granted to the Group (note 25).

The above unlisted investment was classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

(b) The fair value of listed equity securities are based on quoted market prices in active market.

## 18. INVENTORIES

| | 2021 S$'000 | 2020 S$'000 |
|---|---|---|
| Spare parts and accessories | **1,358** | 1,301 |
| Motor vehicles | **333** | 318 |
| Less: provision for inventory obsolescence | **(716)** | (383) |
| | **975** | 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.

## 19. TRADE RECEIVABLES

| | 2021<br>S$'000 | 2020<br>S$'000 |
|---|---|---|
| Trade receivables, gross carrying amount | **1,029** | 1,680 |
| Less: Impairment losses recognised | **(62)** | (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 goods sold or services rendered, is as follows:

| | 2021<br>S$'000 | 2020<br>S$'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 | **119** | 588 |
| | **1,029** | 1,680 |

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

| | 2021<br>S$'000 | 2020<br>S$'000 |
|---|---|---|
| At beginning of year | **293** | 445 |
| Write-offs of trade receivables | **(231)** | – |
| Reversal of impairment losses of trade receivables, net (note 6) | **–** | (152) |
| At end of year | **62** | 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.

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

**As at 31 December 2021**

| | | **Past due** | | | |
|---|---|---|---|---|---|
| | **Current S$'000** | **Less than 1 month S$'000** | **1 to 3 months S$'000** | **Over 3 months S$'000** | **Total S$'000** |
| Gross carrying amount | **795** | **54** | **11** | **169** | **1,029** |
| Expected credit losses | **–** | **–** | **–** | **(62)** | **(62)** |
| | **795** | **54** | **11** | **107** | **967** |

As at 31 December 2020

| | | Past due | | | |
|---|---|---|---|---|---|
| | Current S$'000 | Less than 1 month S$'000 | 1 to 3 months S$'000 | Over 3 months S$'000 | Total S$'000 |
| Gross carrying amount | 943 | 62 | 30 | 645 | 1,680 |
| Expected credit losses | – | – | – | (293) | (293) |
| | 943 | 62 | 30 | 352 | 1,387 |

## 20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 2021<br>S$'000 | 2020<br>S$'000 |
|---|---|---|
| **Non-current** | | |
| Prepayments | **99** | 92 |
| Loan receivables from third parties* | **1,075** | 1,175 |
| | **1,174** | 1,267 |
| **Current** | | |
| Prepayments | **405** | 1,428 |
| Other receivables | **308** | 153 |
| Deposits** | **5,938** | 4,824 |
| Loan receivables from third parties* | **543** | 421 |
| | **7,194** | 6,826 |
| | **8,368** | 8,093 |

* 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 for resale purpose.

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 31 December 2021 and 2020, 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:

| | 2021<br>S$'000 | 2020<br>S$'000 |
|---|---|---|
| Current: | | |
| Gross carrying amount | **1,618** | 1,596 |
| Expected credit losses | **–** | – |
| | **1,618** | 1,596 |

## 21. CASH AND CASH EQUIVALENTS

| | 2021<br>S$'000 | 2020<br>S$'000 |
|---|---|---|
| Bank balances and cash | **4,131** | 1,768 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Cash and cash equivalents denominated in foreign currencies are as follows:

| | 2021<br>Local currency<br>'000 | 2021<br>S$'000 | 2020<br>Local currency<br>'000 | 2020<br>S$'000 |
|---|---|---|---|---|
| Hong Kong dollar | **7** | **1** | 66 | 11 |
| Renminbi | **13** | **2** | 27 | 5 |

## 22. TRADE AND OTHER PAYABLES

| | 2021<br>S$'000 | 2020<br>S$'000 |
|---|---|---|
| Trade payables | **703** | 943 |
| Other payables | **1,478** | 1,387 |
| Accrued expenses | **778** | 927 |
| Amount due to a shareholder* | **2,206** | 721 |
| | **5,165** | 3,978 |
| Analysed into: | | |
| Classified under current liabilities: | | |
| Payable within one year | **2,959** | 3,257 |
| Classified under non-current liabilities: | | |
| Payable within second to third year | **2,206** | 721 |
| | **5,165** | 3,978 |

* The amount mainly represents non-interest-bearing financial support provided to the Group from a shareholder, which is due in 2023. Further details of the shareholder are set out in note 30 to the consolidated financial statements.

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:

| | **2021 S$'000** | 2020 S$'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 |

## 23. PROVISIONS

| | **Reinstatement costs S$'000** |
|---|---|
| As at 1 January 2021 | **413** |
| Reversed during the year | **–** |
| As at 31 December 2021 | **413** |
| Represented by: | |
| – payable within one year | **–** |
| – payable within second year | **–** |
| – payable within third to fifth year classified under non-current liabilities | **413** |
| As at 31 December 2021 | **413** |

| | Reinstatement costs S$'000 |
|---|---|
| As at 1 January 2020 | 527 |
| Reversed during the year | (114) |
| As at 31 December 2020 | 413 |
| Represented by: | |
| – payable within one year | – |
| – payable within second year | – |
| – payable within third to fifth year classified under non-current liabilities | 413 |
| As at 31 December 2020 | 413 |

## 24. CONTRACT LIABILITIES

Contract liabilities primarily relate to the Group's obligation to transfer services to customers for which the Group has received advances from the customers.

Details of contract liabilities are as follows:

| | **2021 S$'000** | 2020 S$'000 |
|---|---|---|
| *Advances received from customers* | | |
| Sales of goods | **1,506** | 573 |
| Maintenance and repair services | **496** | 62 |
| Modification, tuning and grooming services | **–** | 233 |
| Sale of extended warranty | **1,297** | 1,551 |
| Deposit received from customers | **–** | 169 |
| Total contract liabilities | **3,299** | 2,588 |

Contract liabilities include advances received to deliver industrial products, render maintenance and repair, modification, tuning and grooming service, and to provide a sales-integrated service platform. The increase in contract liabilities in 2021 was mainly due to the increase in deposit received from customers in relation to the sales of motor vehicles.

Significant changes in contract liabilities are as follows:

| | **2021 S$'000** | 2020 S$'000 |
|---|---|---|
| At beginning of the year | **2,588** | 2,970 |
| Advance payments received during the year | **2,044** | 1,043 |
| Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the year | **(1,284)** | (513) |
| Revenue recognised and received during the year | **(49)** | (53) |
| Transferred to other income and gains | **–** | (859) |
| At end of the year | **3,299** | 2,588 |
| Analysed into: | | |
| Within one year included in current liabilities | **2,383** | 1,673 |
| After one year included in non-current liabilities | **916** | 915 |
| | **3,299** | 2,588 |

## 25. BANK AND OTHER BORROWINGS

| | 2021 Maturity | 2021 S$'000 | 2020 Maturity | 2020 S$'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Lease liabilities (note 15b) | **2022** | **1,075** | 2021 | 1,114 |
| Bank loans: | | | | |
| – S$ loan at 3% per annum (note a) | **2022** | **400** | 2021 | 500 |
| – S$ loan at 7% per annum on daily rest (note b) | **–** | **–** | 2021 | 1,680 |
| – S$ loan at reference rate plus 3% per annum (note c) | **2022** | **1,100** | – | – |
| | | **2,575** | | 3,294 |
| **Non-current** | | | | |
| Lease liabilities (note 15b) | **2023–2024** | **502** | 2022–2024 | 1,542 |
| | | **502** | | 1,542 |
| Total | | **3,077** | | 4,836 |

| | 2021 S$'000 | 2020 S$'000 |
|---|---|---|
| Analysed into: | | |
| Repayable | | |
| – Within one year | **2,575** | 3,294 |
| – In the second year | **497** | 1,231 |
| – In the third to fifth years | **5** | 311 |
| | **3,077** | 4,836 |
| Analysed for financial reporting: | | |
| – Included in current liabilities | **2,575** | 3,294 |
| – Included in non-current liabilities | **502** | 1,542 |
| | **3,077** | 4,836 |

Notes:

(a) This loan is secured by the legal assignment of the life insurance policy (note 17) and personal guarantee given by a director of the Group's subsidiaries.

(b) This loan has been fully repaid during the year.

(c) This loan is secured by way of corporate guarantees provided by a subsidiary of the Company and a legal mortgage of the Group's freehold property which had a carrying amount of S$2,115,000 as at 31 December 2021 (note 14).

(d) All borrowings are denominated in SGD.

## 26. DEFERRED TAX LIABILITIES

| | **2021** **S$'000** | 2020 S$'000 |
|---|---|---|
| Deferred tax (liabilities)/assets recognised: | | |
| Differences in depreciation for tax purpose | **(36)** | (36) |
| Provisions | **24** | 24 |
| Deferred tax liabilities recognised | **(12)** | (12) |

| | **2021** **S$'000** | 2020 S$'000 |
|---|---|---|
| Movement during the year: | | |
| Balance at beginning of the year | **(12)** | (12) |
| Deferred tax credit recognised for the year | **–** | – |
| Balance at end of the year | **(12)** | (12) |

The Group has unutilised tax losses of S$682,000 (2020: S$853,000) that are available to offset against future taxable profits of the companies in which the losses arise, for which no deferred tax assets are recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of tax legislation of Mainland China that will expire in one to five years.

## 27. SHARE CAPITAL

| | **2021** **S$'000** | 2020 S$'000 |
|---|---|---|
| Issued and fully paid: | | |
| 2,000,000,000 (2020: 2,000,000,000) ordinary shares of HK$0.0025 each | **900** | 900 |

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.

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.

## 28. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

### SHARE PREMIUM

Share premium represents the difference between the nominal value and the issuing value of the shares.

### OTHER CAPITAL RESERVE

Other capital reserve represents the difference between the carrying amount and the fair value of the non-interest-bearing financial support provided by a shareholder.

### MERGER RESERVE

Merger reserve represents the difference between the consideration paid and the share capital of the acquired entities under common control.

## 29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) MAJOR NON-CASH TRANSACTIONS

In 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of S$60,000 (2020: S$230,000) and S$60,000 (2020: S$230,000), respectively, in respect of lease arrangements for properties and equipment.

### (b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

**As at 31 December 2021**

| | Amount due to a shareholder included in trade and other payables S$'000 | Bank and other borrowings S$'000 | Lease liabilities S$'000 |
|---|---|---|---|
| As at 1 January 2021 | 721 | 2,180 | 2,656 |
| Changes from financing cash flows | 1,485 | (680) | (1,122) |
| New leases | – | – | 60 |
| Disposal | – | – | (17) |
| Interest expense | – | – | 57 |
| Interest paid classified as operating cash flows | – | – | (57) |
| As at 31 December 2021 | 2,206 | 1,500 | 1,577 |

As at 31 December 2020

| | Amount due to a shareholder included in trade and other payables S$'000 | Bank and other borrowings S$'000 | Lease liabilities S$'000 |
|---|---|---|---|
| As at 1 January 2020 | 857 | 1,838 | 4,110 |
| Changes from financing cash flows | (136) | 342 | (1,368) |
| New leases | – | – | 230 |
| Disposal | – | – | (316) |
| Interest expense | – | – | 131 |
| Interest paid classified as operating cash flows | – | – | (131) |
| As at 31 December 2020 | 721 | 2,180 | 2,656 |

### (c) TOTAL CASH OUTFLOW FOR LEASES

The total cash outflow for leases included in the statement of cash flows is as follows:

| | **2021 S$'000** | 2020 S$'000 |
|---|---|---|
| Within operating activities | **213** | 131 |
| Within financing activities | **1,122** | 1,368 |
| | **1,335** | 1,499 |

## 30. RELATED PARTY TRANSACTIONS AND BALANCES

### (a) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

| | **2021 S$'000** | 2020 S$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **–** | 196 |
| Discretionary performance-related bonuses | **–** | – |
| Pension scheme contributions | **–** | 15 |
| | **–** | 211 |

Further details of Directors' emoluments are included in note 8 to the consolidated financial statements.

### (b) AMOUNT DUE TO RELATED PARTY OF THE GROUP

| | **2021 S$'000** | 2020 S$'000 |
|---|---|---|
| Amount due to a shareholder* | **2,206** | 721 |

* The substantial shareholder refers to Mr. Zhang Yadong.

## 31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### AS AT 31 DECEMBER 2021

**Financial assets**

| | Financial assets at fair value through profit or loss | Financial assets at amortised cost | Total |
|---|---|---|---|
| | Mandatorily designated as such S$'000 | S$'000 | S$'000 |
| Financial assets at fair value through profit or loss | 582 | – | 582 |
| Trade receivables | – | 967 | 967 |
| Financial assets included in prepayments, other receivables and other assets | – | 1,926 | 1,926 |
| Cash and cash equivalents | – | 4,131 | 4,131 |
| | 582 | 7,024 | 7,606 |

**Financial liabilities**

| | Financial liabilities at amortised cost S$'000 |
|---|---|
| Financial liabilities included in trade and other payables | 4,387 |
| Bank and other borrowings | 3,077 |
| | 7,464 |

AS AT 31 DECEMBER 2020

**Financial assets**

| | Financial assets at fair value through profit or loss<br>Mandatorily designated as such<br>S$'000 | Financial assets at amortised cost<br>S$'000 | Total<br>S$'000 |
|---|---|---|---|
| Financial assets at fair value through profit or loss | 537 | – | 537 |
| Trade receivables | – | 1,387 | 1,387 |
| Financial assets included in prepayments, other receivables and other assets | – | 1,749 | 1,749 |
| Cash and cash equivalents | – | 1,768 | 1,768 |
| | 537 | 4,904 | 5,441 |

**Financial liabilities**

| | Financial liabilities at amortised cost<br>S$'000 |
|---|---|
| Financial liabilities included in trade and other payables | 3,704 |
| Bank and other borrowings | 4,836 |
| | 8,540 |

## 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| **Financial assets** | | | | |
| Financial asset at fair value through profit or loss | **582** | 537 | **582** | 537 |
| Trade receivables | **967** | 1,387 | **967** | 1,387 |
| Financial assets included in prepayments, other receivables and other assets | **1,926** | 1,749 | **1,926** | 1,749 |
| Cash and cash equivalents | **4,131** | 1,768 | **4,131** | 1,768 |
| | **7,606** | 5,441 | **7,606** | 5,441 |

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| **Financial liabilities** | | | | |
| Financial liabilities included in trade and other payables | **4,347** | 3,704 | **4,347** | 3,704 |
| Bank and other borrowings (other than lease liabilities) | **1,500** | 2,180 | **1,500** | 2,180 |
| | **5,847** | 5,884 | **5,847** | 5,884 |

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables, and bank and other borrowings (current portion) approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate their fair values:

The fair values of non-current bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities as disclosed in the note 25 to the consolidated financial statements.

The fair value of life insurance policy and listed equity securities, which are classified as financial assets at fair value through profit or loss, have been estimated based on the surrender value of the policy and quoted market prices of the equity securities respectively, as disclosed in note 17 to the consolidated financial statements.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, foreign currency risk and liquidity risk. The Group's overall risk management objective is to effectively manage these risks and seek to minimise potential adverse effects on the financial performance of the Group. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

### CREDIT RISK

The Group adopts the policy of dealing only with customers with appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For financial assets, the Group adopts the policy of dealing with financial institutions and other counterparties with high credit ratings.

Customers' payment profiles and credit exposure are continuously monitored by the Company.

**Maximum exposure and year-end staging**

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

**As at 31 December 2021**

| | 12-month ECLS | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 S$'000 | Stage 2 S$'000 | Stage 3 S$'000 | Simplified approach S$'000 | Total S$'000 |
| Trade receivables* | – | – | – | 967 | 967 |
| Loan receivables from third parties* | – | – | – | 1,618 | 1,618 |
| Financial assets included in prepayments, other receivables and other assets (other than loan receivables from third parties) | | | | | |
| – Normal** | 308 | – | – | – | 308 |
| – Doubtful** | – | – | – | – | – |
| Cash and cash equivalents | | | | | |
| – not yet past due | 4,131 | – | – | – | 4,131 |
| | 4,439 | – | – | 2,585 | 7,024 |

As at 31 December 2020

| | 12-month ECLS | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 S$'000 | Stage 2 S$'000 | Stage 3 S$'000 | Simplified approach S$'000 | Total S$'000 |
| Trade receivables* | – | – | – | 1,387 | 1,387 |
| Loan receivables from third parties* | – | – | – | 1,596 | 1,596 |
| Financial assets included in prepayments, other receivables and other assets (other than loan receivables from third parties) | | | | | |
| – Normal** | 153 | – | – | – | 153 |
| – Doubtful** | – | – | – | – | – |
| Cash and cash equivalents | | | | | |
| – not yet past due | 1,768 | – | – | – | 1,768 |
| | 1,921 | – | – | 2,983 | 4,904 |

* For trade receivables and loan receivables from third parties to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 19 and 20 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets (other than loan receivables from third parties) is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables, prepayments, other receivables and other assets and cash and cash equivalents are disclosed in note 19, note 20 and note 21 to the consolidated financial statements, respectively.

## INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings.

The Group consider the cash flow interest rate risk relating to its variable rate bank borrowing is insignificant and therefore sensitivity analysis has not been presented.

## FOREIGN CURRENCY RISK

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 respective functional currencies of the group entities, primarily the Singapore dollar. The currencies giving rise to this risk are primarily the United States dollar ("US$"), Hong Kong dollar ("HK$"), Euro ("EUR"), Renminbi ("RMB") and British pound ("GBP").

The Group's exposure to foreign currencies in respect of financial assets and liabilities is disclosed in the respective notes to the consolidated financial statements.

The following demonstrates the sensitivity to a reasonably possible change in US$, HK$, EUR, RMB and GBP against the Singapore dollar, with all other variables held constant, of the Group's (loss)/profit before tax:

| | **2021**<br>**Loss before tax (increased)/ decreased by:**<br>**S$'000** | 2020<br>Profit before tax increased/ (decreased) by:<br>S$'000 |
|---|---|---|
| US$ against S$ | | |
| – strengthened 6% (2020: 6%) | **(39)** | (43) |
| – weakened 6% (2020: 6%) | **39** | 43 |
| HK$ against S$ | | |
| – strengthened 6% (2020: 6%) | **153** | 46 |
| – weakened 6% (2020: 6%) | **(153)** | (46) |
| EUR against S$ | | |
| – strengthened 6% (2020: 6%) | **(35)** | (3) |
| – weakened 6% (2020: 6%) | **35** | 3 |
| RMB against S$ | | |
| – strengthened 6% (2020: 6%) | **(40)** | (33) |
| – weakened 6% (2020: 6%) | **40** | 33 |
| GBP against S$ | | |
| – strengthened 6% (2020: 6%) | **–** | 4 |
| – weakened 6% (2020: 6%) | **–** | (4) |

### LIQUIDITY RISK

The Group manages liquidity risk by maintaining cash and available funding through committed credit facilities sufficient to enable it to meet its operational requirements.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

| | Within 1 year S$'000 | 1 to 5 years S$'000 | Over 5 years S$'000 | Total undiscounted cash flows S$'000 | Carrying amount at 31.12.2021 S$'000 |
|---|---|---|---|---|---|
| **As at 31 December 2021** | | | | | |
| Financial liabilities included in trade and other payables | **4,347** | **–** | **–** | **4,347** | **4,347** |
| Lease liabilities | **1,096** | **506** | **–** | **1,602** | **1,577** |
| Interest-bearing bank and other borrowings (excluding lease liabilities) | **1,554** | **–** | **–** | **1,554** | **1,500** |
| | **6,997** | **506** | **–** | **7,503** | **7,424** |

| | Within 1 year S$'000 | 1 to 5 years S$'000 | Over 5 years S$'000 | Total undiscounted cash flows S$'000 | Carrying amount at 31.12.2020 S$'000 |
|---|---|---|---|---|---|
| As at 31 December 2020 | | | | | |
| Financial liabilities included in trade and other payables | 3,704 | – | – | 3,704 | 3,704 |
| Lease liabilities | 1,186 | 1,577 | – | 2,763 | 2,656 |
| Interest-bearing bank and other borrowings (excluding lease liabilities) | 2,190 | – | – | 2,190 | 2,180 |
| | 7,080 | 1,577 | – | 8,657 | 8,540 |

### CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide adequate cash flows to meet its operating requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital using a gearing ratio, which is 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 ratios are as follows:

| | **31 December 2021 S$'000** | 31 December 2020 S$'000 |
|---|---|---|
| Interest-bearing bank and other borrowings (note 25) | **3,077** | 4,836 |
| Equity attributable to owners of the Company | **7,628** | 8,197 |
| Gearing ratio | **0.40** | 0.59 |

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2021<br>S$'000 | 2020<br>S$'000 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Investment in a subsidiary | **2,069** | 2,069 |
| Total non-current assets | **2,069** | 2,069 |
| **CURRENT ASSETS** | | |
| Prepayment | **27** | 27 |
| Amounts due from subsidiaries | **–** | 2,037 |
| Cash and cash equivalents | **1** | 11 |
| Total current assets | **28** | 2,075 |
| **CURRENT LIABILITIES** | | |
| Other payables | **34** | 907 |
| Amounts due to subsidiaries | **70** | 70 |
| Total current liabilities | **104** | 977 |
| **NET CURRENT (LIABILITIES)/ASSETS** | **(76)** | 1,098 |
| **NON-CURRENT LIABILITIES** | | |
| Amount due to a shareholder | **2,206** | 721 |
| Net (liabilities)/assets | **(213)** | 2,446 |
| **EQUITY** | | |
| Share capital | **900** | 900 |
| Reserves | **(1,113)** | 1,546 |
| Total (deficit)/equity | **(213)** | 2,446 |

A summary of the Company's reserves is as follows:

| | Share premium S$'000 | Other capital reserve S$'000 | Accumulated losses S$'000 | Total S$'000 |
|---|---|---|---|---|
| As at 1 January 2020 | 8,982 | 126 | (6,976) | 2,132 |
| Loss and total comprehensive expense for the year | – | – | (586) | (586) |
| As at 31 December 2020 and 1 January 2021 | **8,982** | **126** | **(7,562)** | **1,546** |
| Loss and total comprehensive expense for the year | **–** | **–** | **(2,659)** | **(2,659)** |
| As at 31 December 2021 | **8,982** | **126** | **(10,221)** | **(1,113)** |

## 35. 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 below) 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.

The Board may, at its discretion, invite any Executive, Non-Executive or Independent Non-Executive Directors or any employees (whether full-time or part-time) of the Company, or any of its subsidiaries or associated companies or any other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group ("Participants", each a "Participant") to take up the Options. The basis of eligibility of any of the class of the Participants to the grant of any Option shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group and any Invested Entity. Unless otherwise determined by the Board and specified in the offer letter to be given to the Participant at the time of the offer of the Option ("Offer"), there is neither any performance target that needs to be achieved by the Participant who accepts an Offer in accordance with the terms of the Share Option Scheme ("Grantee") before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised.

The subscription price for the Shares under the Share Option Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option, but in any case shall not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Offer is made by the Company to the Grantee (which date must be a Business Day, "Offer Date"); (b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the Offer Date (provided that the Offer Price shall be used as the closing price for any Business Day falling within the period before listing of the Shares where the Company has been listed for less than five (5) Business Days as at the Offer Date); and (c) the nominal value of a Share.

The amount payable by the grantee of an Option to the Company on acceptance of the offer for the grant of an Option is HK$1.00, which shall be payable within the period as the Board may determine and specify in the letter of Offer.

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue immediately following the listing of the Company on the Stock Exchange and the subdivision of shares of the Company approved on 3 April 2019 and become effective on 4 April 2019 (being 2,000,000,000 Shares). The maximum number of shares issuable under share options to each eligible participant in the Company's Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting. The Company may grant options in respect of up to 200,000,000 Shares to the participants under the Share Option Scheme, being 10% of the issued shares of the Company as at the date of this report.

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 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.

## 36. RETIREMENT BENEFIT PLANS

The Group operates the MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2020: HK$30,000). Contributions to the plan vest immediately.

The Group are required to make retirement contribution to Central Provident Fund ("CPF") for its employees working in Republic of Singapore (the "Singapore").The CPF is a comprehensive social security system that enables working citizens and permanent residents of Singapore to set aside funds for retirement. The Group are required to pay monthly to the CPF in respect of each employee, who is either a citizen or permanent resident of Singapore, contributions at the contribution rates prescribed under the Central Provident Fund Act (Cap 36) of Singapore ("CPFA").

Pursuant to section 7(2) of the CPFA, the employer is allowed to recover certain amounts as stipulated in the CPFA from the monthly wages of an employee.

Section 7(3) of the CPFA provides that any employer who has recovered any amount from the monthly wages of an employee in accordance with the CPFA and fails to pay the contributions to the CPF within such time as may be prescribed, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding seven (7) years or to both.

Section 9 of the CPFA provides that, where the amount of the contributions which an employer is liable to pay in respect of any month is not paid within the prescribed period for payment, the employer shall be liable to pay interest on the amount for every day the amount remains unpaid commencing from the first day of the month succeeding the month in respect of which the amount is payable and the interest shall be calculated at the rate of 1.5% per month or the sum of S$5.00, whichever is the greater.

The CPFA provides that in general if any person convicted of an offence under the CPFA for which no penalty is provided shall be liable on conviction to pay a fine not exceeding S$5,000 or to imprisonment for a term not exceeding 6 months or both, and if that person is a repeat offender for the same offence, to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding 12 months or both.

The total expense recognised in consolidated statement of profit or loss and other comprehensive income of approximately S$450,000 and S$480,000 respectively, represent contributions paid and/or payable to the scheme by the Group for the years ended 31 December 2020 and 2021 respectively. At the end of the reporting period, the Group had no forfeited contributions which may be used to reduce the retirement benefit contributions in future (2020: Nil).

## 37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of Directors on 13 May 2022.

# FINANCIAL SUMMARY

| Results | 2021<br>S$'000 | 2020<br>S$'000 | 2019<br>S$'000 | 2018<br>S$'000 | 2017<br>S$'000 |
|---|---|---|---|---|---|
| Revenue | **20,233** | 20,421 | 22,603 | 17,558 | 13,964 |
| (Loss)/profit before tax | **(441)** | 1,145 | (1,235) | (3,776) | (2,087) |
| Income tax (expense)/credit | **(118)** | (67) | (2) | (14) | 46 |
| (Loss)/profit for the year | **(559)** | 1,078 | (1,237) | (3,790) | (2,041) |

| Assets and liabilities | 2021<br>S$'000 | 2020<br>S$'000 | 2019<br>S$'000 | 2018<br>S$'000 | 2017<br>S$'000 |
|---|---|---|---|---|---|
| Total assets | **19,716** | 20,036 | 20,286 | 16,761 | 22,210 |
| Total liabilities | **12,088** | 11,839 | 13,158 | 8,526 | 9,947 |
| Total equity | **7,628** | 8,197 | 7,128 | 8,235 | 12,263 |