

ZHONG SHI MIN AN HOLDINGS LIMITED

中食民安控股有限公司

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8283



Third Quarterly
Report

2022

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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

This report will remain on the “Latest Listed Company Information” page of the Stock Exchange website at www.hkexnews.hk for at least seven days from the date of its posting. This report will also be published on the website of the Company at www.zhongshiminanholdings.com.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. WANG Lei
(Co-Chairman and Chief Executive Officer)
(appointed on 9 February 2022)

Mr. FENG Wei (Co-Chairman)

Mr. CHUA Boon Hou (CAI Wenhao)

Ms. WU Lili (appointed on 30 June 2022)

Mr. YAN Jianqiang
(Co-Chairman and Chief Executive Officer)
(resigned on 9 February 2022)

NON-EXECUTIVE DIRECTORS

Mr. WANG Bing
Mr. ZHAO Yanjiao (appointed on 30 June 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEN Huichun
Mr. GAO Yan (appointed on 30 June 2022)
Mr. ZHAO Wei
Mr. LEUNG Yiu Cho (resigned on 30 June 2022)

AUDIT COMMITTEE

Mr. GAO Yan (Chairman) (appointed on 30 June 2022)
Mr. CHEN Huichun
Mr. ZHAO Wei
Mr. LEUNG Yiu Cho (resigned on 30 June 2022)

REMUNERATION COMMITTEE

Mr. GAO Yan (Chairman) (appointed on 30 June 2022)
Mr. WANG Lei (appointed on 9 February 2022)
Mr. ZHAO Wei
Mr. LEUNG Yiu Cho (resigned on 30 June 2022)
Mr. YAN Jianqiang (resigned on 9 February 2022)

NOMINATION COMMITTEE

Mr. ZHAO Wei (Chairman)
Mr. CHEN Huichun
Mr. WANG Lei (appointed on 9 February 2022)
Mr. YAN Jianqiang (resigned on 9 February 2022)

RISK MANAGEMENT COMMITTEE

Mr. ZHAO Wei (Chairman)
Mr. CHUA Boon Hou (CAI Wenhao)
Mr. WANG Lei (appointed on 9 February 2022)
Mr. YAN Jianqiang (resigned on 9 February 2022)

COMPLIANCE OFFICER

Mr. CHUA Boon Hou (CAI Wenhao)

COMPANY SECRETARY

Mr. LO Kam Tai (appointed on 30 June 2022)
Mr. WONG Cheung Ki Johnny, FCPA, FCG (CS, CGP),
HKFCG (CS, CGP) (resigned on 30 June 2022)

AUTHORISED REPRESENTATIVES

Mr. CHUA Boon Hou (CAI Wenhao)
Mr. LO Kam Tai (appointed on 30 June 2022)
Mr. WONG Cheung Ki Johnny, FCPA, FCG (CS, CGP),
HKFCG (CS, CGP) (resigned on 30 June 2022)

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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTER 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)

Room E, 15th Floor
Leahander Centre
28 Wang Wo Tsai Street
Tsuen Wan, New Territories
Hong Kong

STOCK CODE

8283

COMPANY'S WEBSITE ADDRESS

www.zhongshiminanholdings.com

THIRD QUARTERLY RESULTS

The board of Directors (the "Board") of the Company is pleased to report the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the three months and nine months ended 30 September 2022 together with the unaudited comparative figures for the corresponding period in the year 2021.

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

For the three months and nine months ended 30 September 2022

| | Notes | Three months ended 30 September | | Nine months ended 30 September | |
|--|-------|------------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| | | 2022 S\$'000 (Unaudited) | 2021 S\$'000 (Unaudited) | 2022 S\$'000 (Unaudited) | 2021 S\$'000 (Unaudited) |
| REVENUE | 3 | 6,654 | 5,753 | 17,757 | 16,548 |
| Other income and gains | | 92 | 82 | 381 | 378 |
| Items of expense | | | | | |
| Cost of materials | | (3,408) | (3,224) | (9,908) | (9,249) |
| Marketing and advertising expenses | | (18) | (25) | (72) | (80) |
| Employee benefits expense | | (1,872) | (1,405) | (4,769) | (4,189) |
| Depreciation of property, plant and equipment | | (345) | (420) | (1,074) | (1,283) |
| Depreciation of right-of-use assets | | (170) | (170) | (510) | (510) |
| Amortisation of intangible assets | | 8 | (15) | - | (16) |
| Finance costs | | 30 | (52) | (77) | (185) |
| Other expenses | | (686) | (311) | (1,655) | (854) |
| Profit before tax | | 285 | 213 | 73 | 560 |
| Income tax expense | 4 | (64) | (34) | (117) | (102) |
| Profit/(loss) for the period | | 221 | 179 | (44) | 458 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | | | | |
| Exchange differences on translation of foreign operations | | (10) | (5) | (9) | 6 |
| TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD | | 211 | 174 | (53) | 464 |
| Profit/(loss) attributable to: | | | | | |
| Owners of the parent | | 260 | 179 | (5) | 458 |
| Non-controlling interests | | (39) | - | (39) | - |
| | | 221 | 179 | (44) | 458 |
| Total comprehensive profit/(loss) attributable to: | | | | | |
| Owners of the parent | | 250 | 174 | (14) | 464 |
| Non-controlling interests | | (39) | - | (39) | - |
| | | 211 | 174 | (53) | 464 |
| PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | | | |
| - Basic and diluted (S\$ cents per share) | 6 | 0.011 | 0.009 | (0.002) | 0.023 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

| | Share capital S\$'000 | Share premium S\$'000 | Other capital reserve S\$'000 | Merger reserve S\$'000 | Accumulated losses S\$'000 | Foreign currency translation reserve S\$'000 | Total S\$'000 | Non-controlling interests S\$'000 | Total equity S\$'000 |
|---|--------------------------|--------------------------|----------------------------------|---------------------------|-------------------------------|---|------------------|--------------------------------------|-------------------------|
| At 1 January 2021 (Audited) | 900 | 8,982 | 126 | 3,884 | (5,689) | (6) | 8,197 | - | 8,197 |
| Profit for the period | - | - | - | - | 458 | - | 458 | - | 458 |
| Exchange differences on translation of foreign operations | - | - | - | - | - | 6 | 6 | - | 6 |
| Total comprehensive profit for the period | - | - | - | - | 458 | 6 | 464 | - | 464 |
| At 30 September 2021 (Unaudited) | 900 | 8,982 | 126 | 3,884 | (5,231) | 6 | 8,661 | - | 8,661 |
| At 1 January 2022 (Audited) | 900 | 8,982 | 126 | 3,884 | (6,248) | (16) | 7,628 | - | 7,628 |
| Loss for the period | - | - | - | - | (5) | - | (5) | (39) | (44) |
| Exchange differences on translation of foreign operations | - | - | - | - | - | (9) | (9) | - | (9) |
| Total comprehensive loss for the period | - | - | - | - | (5) | (9) | (14) | (39) | (53) |
| At 30 September 2022 (Unaudited) | 900 | 8,982 | 126 | 3,884 | (6,253) | (25) | 7,614 | (39) | 7,575 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2022

1. General information

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 17 March 2016. The registered office of the Company is at the offices of Ocorian Trust (Cayman) Limited, 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.

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

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

2. Basis of preparation

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

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

The basis of preparation and accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements for the nine months ended 30 September 2022 are consistent with those adopted in the preparation of the of the Group's consolidated financial statements for the year ended 31 December 2021 included in the 2021 Annual Report.

The Group has not adopted the new and revised IFRSs, which have been issued but are not yet effective.

Basis of Consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Company and its subsidiaries for the three months and nine months ended 30 September 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group income and expenses relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

3. Revenue

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

| | Three months ended 30 September | | Nine months ended 30 September | |
|---------------------------------------|------------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| | 2022 S\$'000 (Unaudited) | 2021 S\$'000 (Unaudited) | 2022 S\$'000 (Unaudited) | 2021 S\$'000 (Unaudited) |
| Revenue from contracts with customers | 6,654 | 5,753 | 17,757 | 16,548 |

4. Income tax expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Subsidiaries in Singapore are subject to taxation at a rate of 17% on the estimated profits arising in Singapore during the period.

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

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| | 2022 S\$'000 (Unaudited) | 2021 S\$'000 (Unaudited) | 2022 S\$'000 (Unaudited) | 2021 S\$'000 (Unaudited) |
| Current income tax – Current period | (64) | (34) | (117) | (102) |
| Tax expense for the period | (64) | (34) | (117) | (102) |

5. Dividends

The Board did not recommend the payment of any dividend for the nine months ended 30 September 2022 (2021: Nil).

6. Profit/(loss) per share attributable to ordinary equity holders of the parent

As at 30 September 2022, the Company had 2,000,000,000 ordinary shares in issue. The calculation of basic earnings per share is based on the following data:

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| | 2022 S\$'000 (Unaudited) | 2021 S\$'000 (Unaudited) | 2022 S\$'000 (Unaudited) | 2021 S\$'000 (Unaudited) |
| Profit/(loss) | | | | |
| Profit/(loss) for the period attributable to owners of the Company for the purpose of basic loss per share | 221 | 179 | (44) | 458 |
| | | | | |
| | Three months ended 30 September | | Nine months ended 30 September | |
| | 2022 '000 (Unaudited) | 2021 '000 (Unaudited) | 2022 '000 (Unaudited) | 2021 '000 (Unaudited) |
| Number of Shares | | | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |

Basic profit/(loss) per share for the nine months ended 30 September 2022 is S\$(0.002) cents (2021: S\$0.023 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group recorded an increase in revenue of approximately S\$1.2 million or +7.3% from approximately S\$16.5 million for the nine months ended 30 September 2021 to approximately S\$17.8 million for the nine months ended 30 September 2022. The increase in revenue was mainly due to additional S\$1.2 million revenue generated from China market as a result of incorporation of new subsidiary in China.

For the nine months ended 30 September 2022, the Group recorded a loss of approximately S\$0.04 million as compared to a profit of S\$0.46 million for the corresponding period in 2021.

The minimal loss for the period was mainly due to (i) losses incurred from the new China subsidiary amounting to S\$0.10 million; and (ii) increase in other operating expenses as a result of higher professional fee incurred by the Company for the period ended 30 September 2022. The increase in expenses was partially offset by the decrease in depreciation of property, plant and equipment.

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 contributed approximately 92% or S\$16.2 million of total revenue for the period ended 30 September 2022 (30 September 2021: 100% or S\$16.5 million) and will be continue to be a key focus of the Group.

We have the capability to maintain and repair a wide range of brands of passenger cars in Singapore and are equipped with diagnostic equipment for carrying out such services. We modify and tune mainly luxury and ultra-luxury passenger cars, providing services ranging from aesthetic modifications including installing body kits, to performance modifications including lowering the suspension of passenger cars and replacing the engine control unit. We also sell passenger car spare parts and accessories in Singapore and export to other countries, such as Malaysia, Indonesia, United Kingdom, China and Thailand.

Outlook

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

Based on LTA’s annual statistic 2020, they were only 1,217 fully electric vehicles (“EV”) (2019: 1,120) on the road or just 0.19 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. There would be another 600 charging points at 200 public car parks by next year, through a tender on EV charger deployment.

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, and 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

The Group recorded an increase in revenue of approximately S\$1.2 million or +7.3% from approximately S\$16.5 million for the nine months ended 30 September 2021 to approximately S\$17.8 million for the nine months ended 30 September 2022. The increase in revenue was mainly due to additional S\$1.2 million revenue generated from China market as a result of incorporation of new subsidiary in China.

Cost of materials

The increase in cost of materials is in line with the increase in revenue as compared to the corresponding period.

Employee benefits expense

Staff costs increased by approximately S\$0.6 million as a result of additional staff costs were incurred by the new subsidiary of the Group in China.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment decreased by S\$0.21 million was mainly due to more property, plant and equipment were fully depreciation since the early of financial year 2022.

Other expenses

Other expenses increased by approximately S\$0.8 million as a result of higher professional fee incurred by the Company and additional operating expenses incurred by the new subsidiary of the Group in China.

Loss for the period

For the nine months ended 30 September 2022, the Group recorded a loss of approximately S\$0.04 million as compared to a gain of S\$0.46 million for the corresponding period in 2021. The minimal loss was mainly due to (i) losses incurred from the new China subsidiary amounting to S\$0.10 million and (ii) increase in other operating expenses as a result of higher professional fee incurred by the Company. The increase in expenses was partially offset by the decrease in depreciation of property, plant and equipment.

OTHER INFORMATION

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

As at 30 September 2022, the interests and short positions of the Directors and chief executives of the Company or any of their respective associates in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long Position in the Shares

| Name of Directors and Chief Executives | Capacity/Nature of Interest | Number of Shares or Underlying Shares | Approximate Percentage of Interest in the Company ⁽¹⁾ |
|--|-----------------------------|---------------------------------------|--|
| Mr. WANG Lei | Beneficial owner | 120,810,000 | 6.04% |
| Mdm. LI Lidan ⁽²⁾ | Interest of spouse | 120,810,000 | 6.04% |
| Mr. CHEN Huichun | Beneficial owner | 700,000 | 0.04% |
| Mdm. WANG Chongyu ⁽³⁾ | Interest of spouse | 700,000 | 0.04% |

Notes:

- (1) This is based on the total number of Shares in issue as at 30 September 2022, being 2,000,000,000.
- (2) Mdm. LI Lidan ("Mrs. WANG") is the spouse of Mr. WANG Lei. Under the SFO, Mrs. WANG is deemed to be interested in the same number of Shares in which Mr. WANG Lei is interested.
- (3) Mdm. WANG Chongyu ("Mrs. CHEN") is the spouse of Mr. CHEN Huichun. Under the SFO, Mrs. CHEN is deemed to be interested in the same number of Shares in which Mr. CHEN Huichun is interested.

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

Directors' rights to acquire Shares or debentures

Save as disclosed in the section headed "Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures" above, at no time during the nine months ended 30 September 2022 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective close associates (as defined under the GEM Listing Rules) to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any of its associated corporations.

Substantial shareholders' and other persons' interests and short positions in the Shares and underlying Shares

As at 30 September 2022, 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 the provisions of Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long Positions in the Shares

| Name | Capacity/Nature of Interest | Number of Shares | Approximate Percentage of Shareholding in the Company as at 30 September 2022 ⁽¹⁾ |
|-------------------------------|-----------------------------|------------------|--|
| Mr. LI Jie | Beneficial owner | 586,020,000 | 29.3% |
| Mdm. HAN Mei ⁽²⁾ | Interest of spouse | 586,020,000 | 29.3% |
| Mdm. LI Lidian ⁽³⁾ | Interest of spouse | 120,810,000 | 6.04% |

Notes:

- (1) This is based on the total number of Shares in issue as at 30 September 2022, being 2,000,000,000.
- (2) Mdm. HAN Mei ("Mrs. LI") is the spouse of Mr. LI Jie. Under the SFO, Mrs. LI is deemed to be interested in the same number of Shares in which Mr. LI Jie is interested.
- (3) Mdm. LI Lidian ("Mrs. WANG") is the spouse of Mr. WANG Lei, executive director of the Company. Under the SFO, Mrs. WANG is deemed to be interested in the same number of Shares in which Mr. WANG Lei is interested.

Save as disclosed above, as at 30 September 2022, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no other person or corporation (other than the Directors and chief executives of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Related party transactions

During the nine months ended 30 September 2022, the Group has not entered into any related party transactions.

Directors' interest in competing business

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders nor any of their respective close associates that competes or may compete, directly or indirectly, with the Group's business and any other conflicts of interest which any such person has or may have with the Group during the nine months ended 30 September 2022.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2022.

Share option scheme

The Company conditionally adopted a share option scheme on 21 October 2016 (the "Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share option has been granted during the nine months ended 30 September 2022.

Directors' securities transactions

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code during the nine months ended 30 September 2022.

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 C.2.1 of the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "CG Code"), the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. 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.

Save as disclosed above, the Directors consider that during the nine months ended 30 September 2022, and thereafter to the date of this report, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.

Audit committee

The Group's third quarterly results for the three months and nine months ended 30 September 2022 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 2022 pursuant to the relevant provisions contained in the CG Code. A meeting of the Audit Committee was held with the management of the Company for, amongst other things, reviewing the unaudited condensed consolidated financial results of the Group for the three months and nine months ended 30 September 2022.

Significant investment, material acquisition and disposal

The Group did not have any significant investment, material acquisition or disposal of subsidiaries or associates during the nine months ended 30 September 2022.

Events after the reporting period

There were no important events affecting the Group that have occurred after the end of the reporting period and up to the date of this report.

Dividends

The Board did not recommend the payment of any dividend for the nine months ended 30 September 2022 (2021: Nil).

Appreciation

On behalf of the Board, I would like to express our sincere gratefulness 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*

Hong Kong, 11 November 2022

As at the date of this report, the executive Directors are Mr. WANG Lei, Mr. FENG Wei, Mr. CHUA Boon Hou (CAI Wenhao) and Ms. WU Lili; the non-executive Directors are Mr. WANG Bing and Mr. ZHAO Yanjiao; and the independent non-executive Directors are Mr. CHEN Huichun, Mr. ZHAO Wei and Mr. GAO Yan.