

ZHENG LI HOLDINGS LIMITED

正力控股有限公司

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8283

2017

Interim Report



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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Zheng Li Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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.

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

CONTENTS

2	CORPORATE INFORMATION
	INTERIM RESULTS
4	UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
5	UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
6	UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
7	UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
8	NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
16	MANAGEMENT DISCUSSION AND ANALYSIS
20	DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES
20	DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES
21	SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY
22	RELATED PARTY TRANSACTIONS
22	DIRECTORS' INTEREST IN COMPETING BUSINESS
22	PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES
22	SHARE OPTION SCHEME
22	DIRECTORS' SECURITIES TRANSACTIONS
22	COMPLIANCE WITH CORPORATE GOVERNANCE CODE
23	INTEREST OF THE COMPLIANCE ADVISER
23	AUDIT COMMITTEE
24	MATERIAL ACQUISITION AND DISPOSAL
24	DIVIDENDS
24	APPRECIATION

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Kelvin LIM
Mr. WANG Jingan
Mr. CHUA Boon Hou (Cai Wenhao)
Mr. LIM Kong Joo
Mr. SO Zelong

Non-executive Director

Mr. DU Xianjie

Independent non-executive Directors

Ms. POK Mee Yau
Mr. LIU Ji
Mr. LEUNG Yiu Cho

AUDIT COMMITTEE

Mr. LIU Ji (*Chairman*)
Mr. LEUNG Yiu Cho
Ms. POK Mee Yau

REMUNERATION COMMITTEE

Mr. LEUNG Yiu Cho (*Chairman*)
Mr. LIU Ji
Mr. Kelvin LIM

NOMINATION COMMITTEE

Ms. POK Mee Yau (*Chairman*)
Mr. LIU Ji
Mr. Kelvin LIM

RISK MANAGEMENT COMMITTEE

Ms. POK Mee Yau (*Chairman*)
Mr. Kelvin LIM
Mr. LIM Kong Joo
Mr. CHUA Boon Hou (Cai Wenhao)

COMPLIANCE OFFICER

Mr. CHUA Boon Hou (Cai Wenhao)

COMPANY SECRETARY

Mr. WONG Cheung Ki Johnny, FCPA, ACIS, ACS

AUTHORISED REPRESENTATIVES

Mr. CHUA Boon Hou (Cai Wenhao)
Mr. WONG Cheung Ki Johnny, FCPA, ACIS, ACS

AUDITOR

Ernst & Young
Certified Public Accountants:
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISOR

as to Hong Kong Law:
Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F,
Jardine House,
1 Connaught Place,
Central, Hong Kong

COMPLIANCE ADVISOR

Messis Capital Limited
Room 1606, 16/F., Tower 2
Admiralty Centre
18 Harcourt Road
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKS

Citibank N.A., Singapore Branch
5 Changi Business Park Crescent
Level 5
Singapore 486027

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, 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

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG UNDERPART 16 OF THE COMPANIES ORDINANCE (CAP. 622)

Unit 3209, 32nd Floor Office Tower Convention Plaza
No. 1 Harbour Road
Hong Kong

STOCK CODE

8283

COMPANY'S WEBSITE ADDRESS

www.zhengliholdings.com

INTERIM RESULTS

The Board of Directors of the Company (the "Board") is pleased to report the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 with the unaudited comparative figures for the corresponding period in the year 2016.

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

For the six months ended 30 June 2017

		2017	2016
		S\$'000	S\$'000
	Notes	(Unaudited)	(Unaudited)
REVENUE	3	6,914	6,908
Other income and gains		384	493
Items of expense			
Cost of materials		(3,530)	(3,849)
Marketing and advertising expenses		(53)	(25)
Employee benefits expense		(2,037)	(2,158)
Depreciation of property, plant and equipment		(157)	(159)
Amortisation of intangible assets		(34)	—
Allowance for doubtful debts		—	(29)
Finance costs		(33)	(52)
Other expenses		(1,165)	(2,561)
Profit/(loss) before tax	4	289	(1,432)
Income tax expense	5	(76)	(59)
Profit/(loss) for the period		213	(1,491)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Changes in fair value		—	(19)
Income tax effect		—	3
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		—	(16)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		213	(1,507)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted (S\$ cents)	7	0.04	(0.40)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2017

		30 June 2017 S\$'000 (Unaudited)	31 December 2016 S\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	8	4,098	3,780
Intangible asset		128	23
Available-for-sale investment		463	463
Prepayments		20	—
Total non-current assets		4,709	4,266
CURRENT ASSETS			
Inventories		1,211	404
Trade and other receivables	9	7,977	7,427
Prepayments		3,287	526
Cash and cash equivalents		2,040	6,789
Total current assets		14,515	15,146
CURRENT LIABILITIES			
Trade and other payables	10	2,028	2,643
Interest-bearing bank and other borrowings	11	455	270
Tax payable		243	412
Total current liabilities		2,726	3,325
NET CURRENT ASSETS		11,789	11,821
TOTAL ASSETS LESS CURRENT LIABILITIES		16,498	16,087
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	1,795	1,654
Deferred revenue		57	—
Deferred tax liabilities		104	104
Total non-current liabilities		1,956	1,758
Net assets		14,542	14,329
EQUITY			
Share capital	12	900	900
Reserves		13,642	13,429
Total equity		14,542	14,329

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Share capital	Share premium	Available-for-sale investment revaluation reserve	Merger reserve	Retained profits/ (accumulated losses)	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2016 (audited)	—	—	(41)	6,863	266	7,088
Loss for the period	—	—	—	—	(1,491)	(1,491)
Other comprehensive income for the period:						
Changes in fair value of an available-for-sale investment, net of tax	—	—	(16)	—	—	(16)
Total comprehensive income for the period	—	—	(16)	—	(1,491)	(1,507)
At 30 June 2016 (unaudited)	—	—	(57)	6,863	(1,225)	5,581
At 1 January 2017 (audited)	900	8,982	17	3,884	546	14,329
Profit for the period	—	—	—	—	213	213
Total comprehensive income for the period	—	—	—	—	213	213
At 30 June 2017 (unaudited)	900	8,982	17	3,884	759	14,542

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2017

	2017	2016
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(4,410)	(2,285)
Net cash used in investing activities	(381)	(85)
Net cash from/(used in) financing activities	42	(85)
Net decrease in cash and cash equivalents	(4,749)	2,455
Cash and cash equivalents at beginning of the period	6,789	5,831
Cash and cash equivalents at end of the period	2,040	3,376

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 situated at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business in Hong Kong under Part 16 of the Companies Ordinance (Cap. 622) is at Unit 3209, 32nd Floor Office Tower Convention Plaza, No. 1 Harbour Road, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the business of:

- 1) maintenance and repair of passenger cars; and
- 2) modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories.

2. Basis of preparation

The 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

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

Basis of consolidation

The condensed consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2017. 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.

3. Revenue

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

	2017 S\$'000 (Unaudited)	2016 S\$'000 (Unaudited)
Maintenance and repair services	5,614	5,596
Modification, tuning and grooming services and trading of spare parts	1,293	1,312
Extended warranty program	7	—
	6,914	6,908

4. Profit/(loss) before tax

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

	2017 S\$'000 (Unaudited)	2016 S\$'000 (Unaudited)
Depreciation of property, plant and equipment	157	159
Amortisation of intangible assets	34	—
Minimum lease payments under operating leases	539	382
Staff costs (excluding directors' and chief executive's remuneration)	1,618	1,835
Allowance for trade receivables	—	29
Foreign exchange losses	5	16
Loss on disposal of property, plant and equipment	53	—
Expenses related to initial public offering	—	1,611

5. Income tax expense

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

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

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

	2017 S\$'000 (Unaudited)	2016 S\$'000 (Unaudited)
Current income tax		
— Current period	76	59
Tax expense for the period — Singapore	76	59

6. Dividends

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2017.

7. Earnings/(loss) per share attributable to ordinary equity holders of the parent

As at 30 June 2017, the Company had 500,000,000 ordinary shares in issue. The Company was listed on the GEM on 8 November 2016 by way of placing of 125,000,000 new shares and capitalisation of 375,000,000 shares resulting in 500,000,000 ordinary shares in issue. The calculation of basic earnings per share is based on the following data:

	2017 S\$'000 (Unaudited)	2016 S\$'000 (Unaudited)
Earnings/(loss)		
Earnings/(loss) for the purpose of basic earnings/(loss) per share		
Profit/(loss) for the period attributable to owners of the Company	213	(1,491)

	2017 '000 (Unaudited)	2016 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	500,000	375,000

Basic earnings/(loss) per share for the six months ended 30 June 2017 is S\$0.04 cents (2016: S\$(0.40) cents). The weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share has been retrospectively adjusted, assuming the reorganisation, as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, had been effective on 1 January 2016.

No adjustment has been made to the basic earnings/(loss) per share as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017 and 2016.

8. Property, plant and equipment

During the six months ended 30 June 2017, the Group acquired plant and equipment of approximately S\$607,000 (six months ended 30 June 2016: S\$85,000).

9. Trade and other receivables

	30 June 2017 S\$'000 (Unaudited)	31 December 2016 S\$'000 (Audited)
Trade receivables	2,986	4,538
Allowance for trade receivables	(22)	(22)
Trade receivables, net	2,964	4,516
Other receivables	1,548	81
Deposits	3,465	2,830
	7,977	7,427

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

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

	30 June 2017 S\$'000 (Unaudited)	31 December 2016 S\$'000 (Audited)
Less than 30 days	895	988
30–60 days	414	649
61–90 days	415	888
91–120 days	84	504
More than 120 days	1,156	1,487
	2,964	4,516

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

	30 June 2017 S\$'000 (Unaudited)	31 December 2016 S\$'000 (Audited)
At 1 January	22	76
Impairment losses recognised	—	28
Write-off of trade receivables	—	(82)
At 31 December	22	22

The above provision for trade receivables is a provision for individually impaired trade receivables. Trade receivables that are individually impaired at the end of the reporting period relate to debtors that are in significant financial difficulties or in dispute and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2017 S\$'000 (Unaudited)	31 December 2016 S\$'000 (Audited)
Neither past due nor impaired	895	988
Past due but not impaired		
Less than 30 days	414	649
30–60 days	415	888
61–90 days	84	504
91–120 days	63	1,044
More than 120 days	1,093	443
	2,069	3,528
	2,964	4,516

Receivables that were neither past due nor impaired relate to customers with a good track record for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. Trade and other payables

	30 June 2017 S\$'000 (Unaudited)	31 December 2016 S\$'000 (Audited)
Trade payables	1,509	1,459
Other payables	17	465
Deposits received from customers	474	114
Accrued expenses	28	605
	2,028	2,643

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

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

	30 June 2017 S\$'000 (Unaudited)	31 December 2016 S\$'000 (Audited)
Less than 30 days	587	758
30–60 days	498	492
61–90 days	174	117
91–120 days	46	11
More than 120 days	204	81
	1,509	1,459

11. Interest bearing bank and other borrowings

	30 June 2017		31 December 2016	
	Maturity	S\$'000	Maturity	S\$'000
	(Unaudited)		(Audited)	
Current				
Term loans:				
— US\$ loan at bank's cost of fund ("COF") + 3.5% per annum (note a)	2017	282	—	—
— S\$ loan at bank's cost of fund ("COF") + 3.5% per annum (note a)	—	—	2017	172
— S\$ loan at bank's 1-year cost of fund ("COF") + 1.5% per annum (note a)	2017	39	2017	98
— S\$ loan at bank's 6-month cost of fund ("COF") + 1.5% per annum (note a)	2017–2018	79	—	—
Obligations under finance leases	2017–2018	55	—	—
		455		270
Non-current				
Term loans:				
— S\$ loan at bank's 6-month cost of fund ("COF") + 1.5% per annum (note a)	2018	59	2018	109
— S\$ loan at bank's 3-month cost of fund ("COF") + 2.88 per annum (note a)	2019–2031	1,516	2019–2031	1,545
Obligations under finance leases	2018–2022	220	—	—
		1,795		1,654
Total		2,250		1,924

	30 June	31 December
	2017	2016
	S\$'000	S\$'000
	(Unaudited)	(Audited)
Analysed into:		
Within one year	454	270
In the second year	228	109
In the third to fifth	476	366
Over five years	1,092	1,179
	2,250	1,924

Notes:

a) S\$ and US\$ loans

The Group's term loans (short and long term loans) are secured by way of corporate guarantees provided by the Company and a subsidiary and a legal mortgage of the Group's freehold property which had a carrying amount of S\$2,350,000 as at 30 June 2017 (31 December 2016: S\$2,375,000). The long term loan matures on 15 October 2031.

The short term loan facility of up to US\$300,000 bears interest at bank's cost of funds + 3.5% per annum.

The long term loan bears interest at:

- 1st year at bank's 1-year cost of funds + 1.5% per annum.
- 2nd year at bank's 6-month cost of funds + 1.5% per annum.
- 3rd year and onwards at bank's 3-month cost of funds + 2.88% per annum.

12. Share capital

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

	30 June 2017 S\$'000 (Unaudited)	31 December 2016 S\$'000 (Audited)
Issued and fully paid: 500,000,000 ordinary shares	900	900

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is a leading automotive service provider in Singapore. We have over 14 years of experience in the passenger car service industry, and offer a comprehensive range of passenger car services including (i) maintenance and repair services; and (ii) modification, tuning and grooming services. 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 bodykits, 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, People's Republic of China and Thailand.

Our management is confident of the Group's strong performance in our key market Singapore due to the Group's competitive strengths which include: (i) we are a leading automotive service provider in Singapore with comprehensive service offerings and the capability to repair a wide range of brands of passenger cars; (ii) we collaborate with established car dealers in Singapore and have strong relationships with car tuning parts suppliers; (iii) we focus our modification, tuning and grooming services on luxury and ultra-luxury passenger cars, which has strengthened our brand name; (iv) we focus on providing high quality customer service and stringent quality control; and (v) we have an experienced senior management team who is supported by a team of talented and well-trained technicians.

Outlook

The Company's shares ("Shares") were successfully listed on GEM on 8 November 2016 (the "Listing") by way of placing of a total of 125,000,000 shares, at the placing price of HK\$0.40 per share (the "Placing"). The amount of the net proceeds from the Placing received by the Company was approximately HK\$24.6 million.

The Directors believe that the Listing would facilitate the implementation of our business strategies. The Listing would (i) allow the Group a platform to access the capital markets for future secondary fund-raising that would have lower financing costs; (ii) enhance the market reputation and brand awareness of our Group with the public and potential business partners; (iii) enhance our internal control and corporate governance practises, resulting in increased customers' and suppliers' confidence and attract potential customers to us.

In 2017, the market conditions in Singapore will continue to be challenging due to an expected fall in number of registered vehicles. Despite the uncertainty, our management remains cautiously optimistic of the outlook for the group in 2017, due to: (i) our collaborations with established car dealers in Singapore; (ii) our expectation that the decrease is of mild impact to our service offerings; and (iii) the Group have established a loyal customer base of repeat customers.

The Group aims to use the proceeds from the Listing to increase our customer base in the highly fragmented passenger car maintenance and repair market, by enhancing our servicing capacity, market reputation and service quality. Using the additional capital raised from the Placing, the Group will pursue the following key business strategies: (i) continue to strengthen our leading market position in Singapore and expand our servicing capacity and customer base; (ii) continue to increase the brands of car tuning parts that we offer; (iii) further strengthen our brand, operational efficiency and sales and marketing efforts, and improve our customer service quality; and (iv) continue to attract, train and retain skilled employees to support our future growth and expansion.

In the first half of 2017, the Group secured additional units of workshops at Sin Ming Autocity, a new 8 storey complex located across our existing Sin Ming Service Centre. The new workshops will include accident repair facilities such as aluminium welding centre, spray painting preparation area, a section for Chromax low emission spray painting activities, low bake oven and wheels alignment system. This is to cater for the Group's expansion of its services to include car bodywork involving panel beating and spray painting which we subcontracted previously. This expansion allows the Group to qualify as an approved reporting centre ("ARC") and authorised repairer ("Authorised

MANAGEMENT DISCUSSION AND ANALYSIS

Repairer”) for insurance companies. An insured who is involved in any car accident, will report the accident to the insurance company’s ARC within 24 hours or by the next working day. As an Authorised Repairer, our Group shall render repair services in respect of the insured vehicles. Our Group is in advance discussions with certain insurance companies on the appointment. In addition, the Group commenced a new business segment of offering extended warranty program to both new and used passenger cars. Under this program, the Group has entered into an agreement with an international insurance company and will carry out all repair services covered under the warranty program. All costs relating to the repair shall be covered by the international insurance company.

Moving forward the Group will focus on maintaining its leading position in the Singapore market, while looking for new opportunities to expand its service and product offerings, as customer demand and trends. Our management will continue to forge stronger bonds with our customers, suppliers and working partners to continue to provide the premier passenger car service in the Singapore passenger car market. Mr. So Zelong (蘇澤龍) (“Mr. So”) has been appointed as an executive Director with effect from 3 July 2017. Mr. So, as an executive director, will be responsible for assisting one of the co-chairmen of the Board in expanding the Company’s business operations into Asia markets outside Singapore, including the Hong Kong Special Administrative Region of the People’s Republic of China and the People’s Republic of China.

Financial review

Revenue

Revenue of our Group remained comparable at approximately S\$6.9 million for both the six months ended 30 June 2016 and 2017.

Employee benefits expense

Our Group’s employee benefits expense decreased slightly by approximately S\$0.2 million or approximately 5.6% from approximately S\$2.2 million for the six months ended 30 June 2016 to approximately S\$2.0 million for the six months ended 30 June 2017. This is mainly due to bonus for the six months ended 30 June 2016 as compared to none for the six months ended 30 June 2017 and lower staff incentives.

Other expenses

Our Group’s other expenses decreased by approximately S\$1.4 million or 54.5% from approximately S\$2.6 million for the six months ended 30 June 2016 to approximately S\$1.2 million for the six months ended 30 June 2017. This is mainly due to non-recurring expenses related to the Listing of approximately S\$1.6 million being recorded for the six months ended 30 June 2016.

Profit/(loss) for the period

Our Group recorded a profit for the six months ended 30 June 2017 of approximately S\$213,000, while a loss of approximately S\$1.5 million was recorded for the six months ended 30 June 2016. This was mainly due to the non-recurring expenses related to the Listing of approximately S\$1.6 million recorded during the six months ended 30 June 2016 as compared with nil during the six months ended 30 June 2017.

Events after the reporting period

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

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison of business objectives with actual business progress

An analysis comparing the business objectives as set out in the Prospectus for the period from 21 October 2016, being the latest practicable date as defined in the Prospectus, to 30 June 2017 with the Group's actual business progress for the Review Period is set out as follows:

Business Objective	Actual Progress
Expand our servicing capacity	The Group leased Unit 01-16 Sin Ming Drive which was operational in 3 rd Quarter of 2016. The Group secured 9 units of workshops at Sin Ming Autocity in 2 nd Quarter of 2017.
Expand and train our workforce	As part of the Group's plan to increase our service output, the Group employed additional 23 staff including 18 technical staff, 1 sales and marketing staff, 2 human resource and administrative staff and 2 insurance staff. The Group will continue to identify suitable candidates and increase headcount for the business expansion.
Strengthen our brand and sales and marketing	To improve our branding strategies, the Group appointed an external consultant to refine our brand identity and enhance our communication strategy. The Group has enhanced its website and appointed an external vendor to design an application for a loyalty program for the Group. During the period under review, the Group also launched a few sales and marketing promotions.
Strengthen our operational efficiency	The Group procured and completed the integration of a new payroll system and new ERP system specialised for automotive industry. This system allows the Group to, amongst others, (a) maximise the efficiency of our service centres by providing tools designed to provide real-time service centre management; and (b) have access to up-to-date information by utilising a report generator that can be used for creating ad-hoc reports based on our specific needs and requirements. New hard drives, computers and other IT related peripherals were also purchased during the period.
To lower our gearing ratio	The Group has fully repaid the short term US dollar bank loan in 1 st quarter of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of proceeds

The amount of the net proceeds from the initial public offering received by the Company, after deducting the expenses relating to the initial public offering paid by the Company, is approximately HK\$24.6 million. The Group intends to apply such net proceeds for the following purposes:

	Approximate Percentage of net proceeds %
Expand our servicing capacity	57.4
Expand and train our workforce	17.5
Strengthen our brand and sales and marketing	9.9
Upgrade our information technology system	8.4
Partial repayment of bank loan	5.3
Working capital and general corporate purposes	1.5

Up to 30 June 2017, the Group has applied the net proceeds as follows:

	Planned amount 30 June 2017 HK\$'million	Actual usage HK\$'million
Expand our servicing capacity	14.1	14.1
Expand and train our workforce	1.4	1.3
Strengthen our brand and sales and marketing	1.2	1.2
Upgrade our information technology system	2.2	1.3
Partial repayment of bank loan	1.4	1.0
Working capital and general corporate purposes	0.2	0.2
	20.5	19.1

As at the date of this report, the unutilised net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong and Singapore.

The Directors regularly evaluates the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. As announced on 8 May 2017, The Group shall continue to use the proceed from the initial public offering of approximately HK\$14.1 million for expanding our servicing capacity. However, as a result of the current plan to operate the new service centre at Sin Ming Autocity instead of the New Premises described in the Prospectus, the Directors have resolved to allocate the relevant proceeds originally planned for the New Premises to Sin Ming Autocity instead. Save as the above, the usage of proceeds from the Placing as set out in the Prospectus remain unchanged.

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

As at 30 June 2017, 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 Director/ Chief Executive	Capacity/ Nature of Interest	Shares held as at 30 June 2017	
		Number of Underlying Shares	Approximate Percentage (Note)
Mr. Kelvin Lim	Beneficial interest	281,250,000	56.25%

Note: This is based on the total Shares in issue as at 30 June 2017, being 500,000,000.

Save as disclosed above, as at 30 June 2017, none of the Directors, chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise, notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Directors' rights to acquire shares or debentures

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended 30 June 2017 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age 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 the shares and underlying shares of the Company

As at 30 June 2017, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long Positions in the Shares:

Name	Capacity/Nature of Interest	Aggregate number of Shares or underlying Shares	Approximate percentage of interest in our Company as at 30 June 2017 ¹
Mr. Kelvin Lim	Beneficial owner	281,250,000	56.25%
Mdm. Chong Ling Ling ²	Interest of spouse	281,250,000	56.25%
Mr. Zhou Yunchuan	Interest of a controlled corporation, interests held jointly with another person	93,750,000	18.75%
Mdm. Chen Yi ³	Interest of spouse	93,750,000	18.75%
Mdm. Ng Geok Luan	Interest of a controlled corporation, interests held jointly with another person	93,750,000	18.75%
Mr. Goh Seng Moh ⁴	Interest of spouse	93,750,000	18.75%
Valiant World Enterprises Limited ⁵	Beneficial owner	93,750,000	18.75%

Notes:

- (1) This is based on the total Shares in issue as at 30 June 2017, being 500,000,000.
- (2) Mdm. Chong Ling Ling is the spouse of Mr. Kelvin Lim ("Mrs. Lim"). Under the SFO, Mrs. Lim is deemed to be interested in the same number of Shares in which Mr. Kelvin LIM is interested.
- (3) Mdm. Chen Yi is the spouse of Mr. Zhou Yunchuan. Under the SFO, Mdm. Chen Yi is deemed to be interested in the same number of Shares in which Mr. Zhou Yunchuan is interested.
- (4) Mr. Goh Seng Moh is the spouse of Mdm. Ng Geok Luan. Under the SFO, Mr. Goh Seng Moh is deemed to be interested in the same number of Shares in which Mdm. Ng Geok Luan is interested.
- (5) The entire issued share capital of Valiant World Enterprises Limited is legally and beneficially owned by Mr. Zhou Yunchuan and Mdm. Ng Geok Luan as to 55% and 45%, respectively.

Save as disclosed above, as at 30 June 2017, 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 of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

Related party transactions

During the period under review, the Group has not entered into any related party transactions.

Directors' interest in competing business

As at the date of this report, the Directors are not aware of any business or interest of the Directors nor our 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 period.

Purchase, sale 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 since the Listing and up to 30 June 2017.

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 since the adoption of the Scheme up to 30 June 2017.

Directors' securities transactions

The Company has adopted a code of conduct for securities transactions by Directors on terms equivalent to the Required Standard of Dealings. The Company had made specific enquiries with written guidelines in relation to the Required Standard of Dealings to all Directors, all Directors have confirmed that they complied with the required standards set out in the Required Standard of Dealings since the Listing and up to 30 June 2017.

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 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. Mr. Lim is currently the co-chairman and chief executive officer of our Group. Our 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 our Group and enables more effective and efficient overall strategic planning of our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, the Directors consider that throughout the six months ended 30 June 2017, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.

Interest of the compliance adviser

As notified by the Company's compliance adviser, Messis Capital Limited, neither Messis Capital Limited nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation of the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser service provided by Messis Capital Limited) as at the date of this report.

Audit Committee

The Group's interim results for the six months ended 30 June 2017 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the interim results of the Group for the six months ended 30 June 2017. A meeting of the Audit Committee was held with the management of the Company for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2017.

Material Acquisition and Disposal

The Group did not have any material acquisition or disposal of subsidiaries or associates since the Listing to 30 June 2017.

Dividends

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2017.

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

Mr. Kelvin LIM

Co-chairman and Executive Director

7 August 2017