

# ZHENG LI HOLDINGS LIMITED

## 正力控股有限公司

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

**STOCK CODE: 8283**

# 2018

## Third Quarterly Report



## 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 the GEM are generally small and mid-sized companies, there is a risk that securities traded on the 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 the GEM.

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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.*

*This report will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at [www.hkexnews.hk](http://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.zhengliholdings.com](http://www.zhengliholdings.com).*

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## CONTENTS

3	CORPORATE INFORMATION
	THIRD QUARTERLY RESULTS
5	UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
6	UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
7	NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
11	MANAGEMENT DISCUSSION AND ANALYSIS
14	DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES
14	DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES
15	SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY
16	RELATED PARTY TRANSACTIONS
16	DIRECTORS' INTERESTS IN COMPETING BUSINESSES
16	PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES
16	SHARE OPTION SCHEME
16	DIRECTORS' SECURITIES TRANSACTIONS
17	COMPLIANCE WITH CORPORATE GOVERNANCE CODE
17	INTEREST OF THE COMPLIANCE ADVISER
17	AUDIT COMMITTEE
18	SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL
18	DIVIDENDS
18	APPRECIATION

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

Mr. Kelvin LIM  
Mr. CHUA Boon Hou (Cai Wenhao)  
Mr. CHEN Feng  
Mr. YAN Jianqiang (appointed on 12 October 2018)

#### NON-EXECUTIVE DIRECTOR

Mr. WU Tangqing

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Yiu Cho  
Mr. ZHANG Guangdong  
Mr. DENG Bin (appointed on 12 October 2018)  
Mr. Liu Ji (resigned on 12 October 2018)  
Ms. Pok Mee Yau (resigned on 12 October 2018)

#### AUDIT COMMITTEE

Mr. LEUNG Yiu Cho  
(Chairman, appointed on 12 October 2018)  
Mr. ZHANG Guangdong  
Mr. DENG Bin (appointed on 12 October 2018)  
Mr. Liu Ji (Chairman, resigned on 12 October 2018)  
Ms. Pok Mee Yau (resigned on 12 October 2018)

#### REMUNERATION COMMITTEE

Mr. LEUNG Yiu Cho (Chairman)  
Mr. Kelvin LIM  
Mr. ZHANG Guangdong  
Mr. Liu Ji (resigned on 12 October 2018)

### NOMINATION COMMITTEE

Mr. ZHANG Guangdong  
(Chairman, appointed on 12 October 2018)  
Mr. Kelvin LIM  
Mr. DENG Bin (appointed on 12 October 2018)  
Mr. Liu Ji (resigned on 12 October 2018)  
Ms. Pok Mee Yau  
(Chairman, resigned on 12 October 2018)

### RISK MANAGEMENT COMMITTEE

Mr. ZHANG Guangdong  
(Chairman, appointed on 12 October 2018)  
Mr. Kelvin LIM  
Mr. CHUA Boon Hou (Cai Wenhao)  
Ms. Pok Mee Yau  
(Chairman, resigned on 12 October 2018)

### 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

## COMPLIANCE ADVISER

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

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

## 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 HEADQUARTER IN SINGAPORE

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

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG UNDER PART 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](http://www.zhengliholdings.com)

## THIRD QUARTERLY RESULTS

The board of Directors (the "Board") is pleased to report the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 September 2018 with comparative figures for the corresponding periods in the year 2017.

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

For the three months and nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
<b>REVENUE</b>	3	<b>4,732</b>	3,600	<b>12,919</b>	10,513
<b>Other income and gains</b>		<b>137</b>	420	<b>326</b>	804
<b>Items of expense</b>					
Cost of materials		<b>(2,553)</b>	(1,846)	<b>(6,664)</b>	(5,376)
Marketing and advertising expenses		<b>(85)</b>	(263)	<b>(182)</b>	(316)
Employee benefits expense		<b>(1,405)</b>	(1,245)	<b>(4,360)</b>	(3,282)
Depreciation of property, plant and equipment		<b>(450)</b>	(94)	<b>(1,388)</b>	(251)
Amortisation of intangible assets		<b>(28)</b>	(13)	<b>(38)</b>	(47)
Allowance for doubtful debts		<b>(100)</b>	–	<b>(146)</b>	–
Finance costs		<b>(35)</b>	(29)	<b>(129)</b>	(62)
Other expenses		<b>(1,281)</b>	(772)	<b>(3,431)</b>	(1,937)
<b>(Loss)/profit before tax</b>		<b>(1,068)</b>	(242)	<b>(3,093)</b>	46
Income tax expense	4	–	60	–	(16)
<b>(Loss)/profit for the period</b>		<b>(1,068)</b>	(182)	<b>(3,093)</b>	30
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<b>(1,068)</b>	(182)	<b>(3,093)</b>	30
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
— Basic (S\$ cents)		<b>(0.21)</b>	N/A	<b>(0.62)</b>	N/A
— Diluted (S\$ cents)		<b>(0.21)</b>	N/A	<b>(0.62)</b>	N/A

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Share capital S\$'000	Share premium S\$'000	Available-for-sale investment revaluation reserve S\$'000	Merger reserve S\$'000	Retained profits/ losses (accumulated) S\$'000	Total S\$'000
<b>At 1 January 2017 (audited)</b>	900	8,982	17	3,884	546	14,329
Profit for the period	-	-	-	-	30	30
Total comprehensive income for the period	-	-	-	-	30	30
<b>At 30 September 2017 (unaudited)</b>	900	8,982	17	3,884	576	14,359
<b>At 1 January 2018 (audited)</b>	<b>900</b>	<b>8,982</b>	<b>8</b>	<b>3,884</b>	<b>(1,511)</b>	<b>12,263</b>
Loss for the period	-	-	-	-	(3,093)	(3,093)
Total comprehensive income for the period	-	-	-	-	(3,093)	(3,093)
<b>At 30 September 2018 (unaudited)</b>	<b>900</b>	<b>8,982</b>	<b>8</b>	<b>3,884</b>	<b>4,604</b>	<b>9,170</b>

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business in Hong Kong under Part 16 of the Companies Ordinance (Cap. 622) is at 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;
- 2) modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories;
- 3) timeshare car rental and long-term car rental; and
- 4) integrated retail service platform.

### 2. Basis of preparation

The unaudited 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.

On 1 January 2018, the Group has adopted all the new and revised IFRSs issued by IASB that are relevant to its operations. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and has no material effect on the financial performance or position of the Group.

The unaudited 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 in the tables are rounded to the nearest thousand ("S\$'000"), except when otherwise indicated.



## Basis of consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Company and its subsidiaries for the three months and nine months ended 30 September 2018. 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 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.

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Maintenance and repair services	<b>3,715</b>	3,222	<b>10,569</b>	8,835
Modification, tuning and grooming services and trading of spare parts	<b>1,017</b>	378	<b>2,350</b>	1,678
	<b>4,732</b>	3,600	<b>12,919</b>	10,513

#### 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.

	Three months ended 30 September		Nine months ended 30 September	
	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Current income tax				
— Current period	—	(60)	—	16
Tax expense for the period				
— Singapore	—	(60)	—	16

#### 5. Dividends

The Board did not recommend the payment of any dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).

## 6. (Loss)/earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share is based on the following data:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period	<b>(1,068)</b>	(182)	<b>(3,093)</b>	30
Weighted average number of ordinary shares ('000)	<b>500,000</b>	500,000	<b>500,000</b>	500,000

No adjustment has been made to the basic (loss)/earnings per share as the Group had no potentially dilutive ordinary share in issue during the three and nine months ended 30 September 2018 and 30 September 2017.

## 7. 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.

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## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

The Group is a leading automotive service provider in Singapore. We have over 15 years of experience in the passenger car service industry, and offer a comprehensive range of passenger car services including: (i) maintenance and repair services; (ii) modification, tuning and grooming services; and (iii) provision of extended warranty program. 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, Peoples' 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.

In 2018, the Group planned for new development strategies such as new energy car "car sharing" and "new retail sales". Leveraging on the dual momentum of industrial development and capital operation and taking advantage of the "Internet +" trend, we seek to create new growth driver for our business in relation to car related industries such as car sales, car sharing and core spare parts. The new businesses will provide a prime opportunity for the Group to diversify the Group's scope of business, broaden the Group's sources of income and achieve better return to the Shareholders.

On 27 July 2018, World Brilliant Investments Limited, an indirect wholly-owned subsidiary of the Company has established a direct subsidiary Shenzhen Dacheng Technology Limited. It primarily engages in businesses such as the timeshare car rental and long-term car rental. It is committed to developing the "Internet +" car sharing and rental market in China.

On 3 August 2018, Dragon Hero International Limited, an indirect wholly-owned subsidiary of the Company has established a direct subsidiary Zhengzhou Car Zhujiao Car Sales Limited. With an innovative concept of platform operation, it provides its customers with an innovative car rental and sales integrated service platform which covers car sales, car financing service, car rental service and car insurance service. These two new subsidiaries have yet to commence their operations as they are in the set up phase. The expected date for the commencement of the new business venture is in the last quarter of 2018.

## Outlook

2018 is a year of many changes for the Singapore passenger car market. Since the 1 January 2018, the government has implemented a new vehicular emissions scheme which replaces the Carbon Emissions based Vehicle Scheme. This new scheme is a more stringent one in terms of rebates and surcharges, as it takes into account various pollutants besides carbon dioxide. Only full-electric cars will qualify for the top-tier rebate of S\$20,000 under this new scheme. In February 2018, the Singapore government implemented a zero car and motorcycle growth rate policy. The new policy will result in a number of changes in the market, including an expected fall of total registered vehicles in Singapore, and increased retention of vehicles via renewed Certificate of Entitlements.

In addition, the market for taxi transportation services have reportedly doubled since private hire and self-operated car services have begun operating in Singapore. The total number of chauffeur-driven private-hire car is about 1.5 times that of taxis, according to the numbers released by the Land Transport Authority of Singapore in 2017. The private-hire car industry is expected to grow and evolve further. This presents an opportunity for the Group to increase its customer base, with private car owners that increasingly require maintenance and repair services. The Group aims to continue 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. 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.

Since September 2017, the Group began operating additional units of workshops at our new Sin Ming Autocity service centre, a new 8 storey complex located across our existing Sin Ming Autocare service centre. The new workshops 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. The Group has expanded its services to include car bodywork involving panel beating and spray painting which we subcontracted previously. This expansion allowed the Group to qualify as an approved reporting centre ("ARC") and authorised repairer ("Authorised 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. Our Group has been appointed by several insurance companies, as an Authorised Repairer, where we render repair services in respect of the insured vehicles. Further, our Group has entered into an agreement with an international insurance company and offer warranty program ("Extended Warranty Program") to both new and used passenger cars. Under the Extended Warranty Program, the Group provides authorised automobile repair and maintenance services for the insured customers and receive a warranty revenue from the program. The Extended Warranty Program allows the Group to provide supplemental services to its existing customers and expand its customer base.

Moving forward, the Group will focus on maintaining its leading position in the Singapore passenger car market. We shall continue to expand our service and product offerings as customer demands and trends shift. 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. Looking ahead and analysing the broader market development, with the global push towards electrification of transport, the global electric car market will likely transition from early deployment to mass market adoption in the next 10 to 20 years.

In Singapore, the government has already implemented policies and incentives such as the new vehicular emissions scheme where only full-electric cars will qualify for the top-tier rebate of S\$20,000 under this new scheme. Other initiatives include the launch of the first electric vehicle sharing service in December 2017 with 80 cars and 32 charging stations across the island. More recently on 31 July 2018, the Land Transport Authority (LTA) has granted a full-fledged Taxi Service Operator Licence to operate at least 800 electric taxis within four years of receiving the licence, or by 31 July 2022. Currently, Grab operates the largest electric and hybrid vehicle fleet in South East Asia and it is to bring in 200 new electric vehicles which will be rolled out in Singapore from early 2019. Adoption rate in Singapore will largely be affected by government policies and incentives and availability of charging stations across the island. In preparation of 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.

## Financial review

### Revenue

Revenue of our Group increased by approximately S\$2.4 million or approximately 22.9% from approximately S\$10.5 million for the nine months ended 30 September 2017 to approximately S\$12.9 million for the nine months ended 30 September 2018. This is mainly due to increases in the capacity and service offerings on both the maintenance and repair services segment as well as the modification, tuning and grooming services and trading of spare parts segment through the new Sin Ming Autocity service centre.

### Employee benefits expense

Our Group's employee benefits expense increased by approximately S\$1.1 million or 32.8% from approximately S\$3.3 million for the nine months ended 30 September 2017 to approximately S\$4.4 million for the nine months ended 30 September 2018. This is mainly due to increase in employee headcount in line with the business expansion at the new Sin Ming Autocity service centre.

### Other expenses

Our Group's other expenses increased by approximately S\$1.5 million or 77.1% from approximately S\$1.9 million for the nine months ended 30 September 2017 to approximately S\$3.4 million for the nine months ended 30 September 2018. This is mainly attributable to the increases in rental expense due to commencement of operations at Sin Ming Autocity service centre and professional advisory fees.

### (Loss)/profit for the period

Our Group recorded a loss for the nine months ended 30 September 2018 of approximately S\$3.1 million, while a profit of approximately S\$30,000 was recorded for the nine months ended 30 September 2017. This was mainly due to increases in employee benefits expense as a result of increase in headcount and increase in rental expense and depreciation of property, plant and equipment due to commencement of operations at Sin Ming Autocity service centre and professional advisory fees.

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

As at 30 September 2018, the interests and short positions of the Directors and chief executive of the Company or any of their respective associates in the shares (the "Share"), 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 Rule 5.46 of the GEM Listing Rules were as follows:

### Long position in the Shares:

Name of Director	Capacity/ Nature of Interest	Shares held as at 30 September 2018	
		Number of Shares	Approximate percentage of shareholding in our Company (Note)
Mr. Kelvin LIM	Beneficial owner	15,000,000	3.0%

Note: This is based on the total Shares in issue as at 30 September 2018, being 500,000,000.

Save as disclosed above, as at 30 September 2018, none of the Directors, chief executive 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 above, at no time during the nine months ended 30 September 2018 was the Company or any of its subsidiaries a party to any arrangements 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 September 2018, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

### Long Positions in the Shares:

Name	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding in our Company as at 30 September 2018 <sup>(1)</sup>
Mr. LI Jie	Beneficial owner	145,795,000	29.16%
Mdm. HAN Mei <sup>(2)</sup>	Interest of spouse	145,795,000	29.16%

Notes:

- (1) This is based on the total Shares in issue as at 30 September 2018, being 500,000,000.
- (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 30 September 2018, 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 executive 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.



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## **RELATED PARTY TRANSACTIONS**

During the nine months ended 30 September 2018, the Group has not entered into any related party transactions.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

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 nine months ended 30 September 2018.

## **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 during the nine months ended 30 September 2018.

## **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 2018.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct for securities transactions by Directors on terms as required by Rules 5.48 to 5.67 of the GEM Listing Rules ("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 during the nine months ended 30 September 2018.

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## 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 chairman and chief executive officer of our Group. Our Board believes that vesting the roles of both 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 nine months ended 30 September 2018, 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 Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board. As at the date of this report, the audit committee comprises of three independent non-executive directors, namely Mr. LEUNG Yiu Cho, Mr. ZHANG Guangdong and Mr. DENG Bin.

The unaudited third quarterly results of the Company for the nine months ended 30 September 2018 have not been audited by the Company's independent auditors, but have been reviewed by the audit committee members who have provided advice and comments thereon.

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## 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 2018.

## DIVIDENDS

The Board did not recommend the payment of any dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).

## APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our shareholders, business partners and customers for their continuous support to the Group. I would also extend my gratitude and appreciation to all the Directors, management and staff for their hard work and dedication throughout the period.

By Order of the Board

**Kelvin LIM**

*Chairman, Chief Executive Officer and executive Director*

Hong Kong, 7 November 2018

*As at the date of this report, the Board comprises Mr. Kelvin LIM, Mr. CHUA Boon Hou (Cai Wenhao), Mr. CHEN Feng and Mr. YAN Jianqiang as executive Directors; Mr. WU Tangqing as non-executive Director; and Mr. LEUNG Yiu Cho, Mr. ZHANG Guangdong and Mr. DENG Bin as independent non-executive Directors.*