

ZHENG LI HOLDINGS LIMITED

正力控股有限公司

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

STOCK CODE: 8283

First Quarterly  
Report

2021



**from** *wheelpower*



## **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 Zheng Li Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this 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 GEM website at [www.hkgem.com](http://www.hkgem.com) 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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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. YAN Jianqiang  
(Co-Chairman and Chief Executive Officer)  
Mr. WU Tangqing  
Mr. CHUA Boon Hou (CAI Wenhao)

### NON-EXECUTIVE DIRECTOR

Mr. YUAN Guoshun

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Yiu Cho  
Mr. ZHANG Guangdong (resigned on 31 March 2021)  
Mr. CHEN Huichun

### AUDIT COMMITTEE

Mr. LEUNG Yiu Cho (Chairman)  
Mr. CHEN Huichun  
Mr. ZHANG Guangdong (resigned on 31 March 2021)

### REMUNERATION COMMITTEE

Mr. LEUNG Yiu Cho (Chairman)  
Mr. YAN Jianqiang  
Mr. ZHANG Guangdong (resigned on 31 March 2021)

## NOMINATION COMMITTEE

Mr. ZHANG Guangdong (Chairman)  
(resigned on 31 March 2021)  
Mr. CHEN Huichun  
Mr. YAN Jianqiang

## RISK MANAGEMENT COMMITTEE

Mr. ZHANG Guangdong (Chairman)  
(resigned on 31 March 2021)  
Mr. CHUA Boon Hou (CAI Wenhao)  
Mr. YAN Jianqiang

## COMPLIANCE OFFICER

Mr. CHUA Boon Hou (CAI Wenhao)

## COMPANY SECRETARY

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

## AUTHORISED REPRESENTATIVES

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

## AUDITOR

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

## **PRINCIPAL BANKS**

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

United Overseas Bank Limited  
80 Raffles Place  
UOB Plaza  
Singapore 048624

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

## **PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN SINGAPORE**

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

## **REGISTERED OFFICE IN THE CAYMAN ISLANDS**

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

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

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

## **STOCK CODE**

8283

## **COMPANY'S WEBSITE ADDRESS**

[www.zhengliholdings.com](http://www.zhengliholdings.com)

## FIRST 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 ended 31 March 2021 together with the unaudited comparative figures for the corresponding period in the year 2020.

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

For the three months ended 31 March

|  | Notes | 2021<br>S\$'000<br>(Unaudited) | 2020<br>S\$'000<br>(Unaudited) |
|--|-------|--------------------------------|--------------------------------|
| <b>REVENUE</b>   | 3     | <b>5,341</b>                   | 6,087                          |
| <b>Other income and gains</b>  |       | <b>224</b>                     | 72                             |
| <b>Items of expense</b>  |       |                                |                                |
| Cost of materials  |       | <b>(2,895)</b>                 | (3,500)                        |
| Marketing and advertising expenses   |       | <b>(34)</b>                    | (45)                           |
| Employee benefits expense  |       | <b>(1,390)</b>                 | (1,286)                        |
| Depreciation of property, plant and equipment  |       | <b>(432)</b>                   | (463)                          |
| Depreciation of right of use assets  |       | <b>(170)</b>                   | (266)                          |
| Amortisation of intangible assets  |       | <b>(6)</b>                     | (26)                           |
| Finance costs  |       | <b>(72)</b>                    | (114)                          |
| Other expenses   |       | <b>(257)</b>                   | (426)                          |
| <b>Profit/(loss) before tax</b>  |       | <b>309</b>                     | 33                             |
| Income tax expense   | 4     | <b>(49)</b>                    | –                              |
| Profit/(loss) for the period   |       | <b>260</b>                     | 33                             |
| <b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>                  |       | <b>260</b>                     | 33                             |
| <b>INCOME/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b> |       |                                |                                |
| – Basic and diluted (S\$ cents)  | 6     | <b>0.013</b>                   | 0.002                          |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

|   | Share capital<br>S\$'000 | Share premium<br>S\$'000 | Other capital reserve<br>S\$'000 | Merger reserve<br>S\$'000 | Retained profits/<br>(accumulated losses)<br>S\$'000 | Foreign currency translation reserve<br>S\$'000 | Total<br>S\$'000 |
|---|--------------------------|--------------------------|----------------------------------|---------------------------|--|---|------------------|
| <b>At 1 January 2020 (audited)</b>        | 900                      | 8,982                    | 126                              | 3,884                     | (6,767)  | 3   | 7,128            |
| Profit for the period                     | -                        | -                        | -                                | -                         | 33   | -   | 33               |
| Total comprehensive income for the period | -                        | -                        | -                                | -                         | 33   | -   | 33               |
| Foreign currency translation              | -                        | -                        | -                                | -                         | -  | *   | *                |
| <b>At 31 March 2020 (unaudited)</b>       | 900                      | 8,982                    | 126                              | 3,884                     | (6,734)  | 3   | 7,161            |
| <b>At 1 January 2021 (audited)</b>        | <b>900</b>               | <b>8,982</b>             | <b>126</b>                       | <b>3,884</b>              | <b>(5,691)</b>                                       | <b>(5)</b>                                      | <b>8,196</b>     |
| Profit for the period                     | -                        | -                        | -                                | -                         | 260  | -   | 260              |
| Total comprehensive income for the period | -                        | -                        | -                                | -                         | 260  | -   | 260              |
| Foreign currency translation              | -                        | -                        | -                                | -                         | -  | *   | *                |
| <b>At 31 March 2021 (unaudited)</b>       | <b>900</b>               | <b>8,982</b>             | <b>126</b>                       | <b>3,884</b>              | <b>(5,431)</b>                                       | <b>(5)</b>                                      | <b>8,456</b>     |

\* Amount less than S\$1,000

## NOTES TO THE UNAUDITED 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 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 Group has adopted all the new and revised IFRSs that effective on 1 January 2021 and 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 since last financial year end.

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.



## Basis of Consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Company and its subsidiaries for the three months ended 31 March 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group 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<br>ended 31 March<br>2021<br>S\$'000<br>(Unaudited) | Three months<br>ended 31 March<br>2020<br>S\$'000<br>(Unaudited) |
|---------------------------------------|--|--|
| Revenue from contracts with customers | 5,341  | 6,087  |

### 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<br>ended 31 March<br>2021<br>S\$'000<br>(Unaudited) | Three months<br>ended 31 March<br>2020<br>S\$'000<br>(Unaudited) |
|--|--|--|
| Current income tax<br>– Current period | (49)   | –  |
| Tax expense for the period             | (49)   | –  |

### 5. Dividends

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

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

As at 31 March 2021, the Company had 2,000,000,000 ordinary shares in issue. The number of shares of the Company was subdivided into four subdivided shares from 500,000,000 ordinary shares to 2,000,000,000 ordinary shares on 4 April 2019. The calculation of basic earnings/(loss) per share is based on the following data:

|  | Three months<br>ended 31 March<br>2021<br>S\$'000<br>(Unaudited) | Three months<br>ended 31 March<br>2020<br>S\$'000<br>(Unaudited) |
|--|--|--|
| <b>Earnings/(loss)</b>   |  |  |
| Earnings/(loss) for the purpose of basic earnings/(loss) per share                 |  |  |
| Earnings/(loss) for the period attributable to owners of the Company               | 260  | 33   |
|  |  |  |
|  | Three months<br>ended 31 March<br>2021<br>'000<br>(Unaudited)    | Three months<br>ended 31 March<br>2020<br>'000<br>(Unaudited)    |
| <b>Number of shares</b>  |  |  |
| Weighted average number of ordinary shares for the purpose of basic loss per share | 2,000,000  | 2,000,000  |

Basic earnings/(loss) per share for the three months ended 31 March 2021 is S\$0.013 cents (2020: S\$0.002 cents).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

For the three months ended 31 March 2021, the Group recorded a decrease in revenue of approximately S\$0.7 million or -14% from approximately S\$6.1 million for the three months ended 31 March 2020 to approximately S\$5.3 million for the three months ended 31 March 2021. The decrease was a result of decrease in revenue from Singapore and nil revenue from China markets due to Coronavirus Disease 2019 (COVID-19) outbreak.

For the three months ended 31 March 2021, the Group recorded a profit of approximately S\$0.3 million as compared to a profit of S\$0.03 million for the corresponding period in 2020. The increase in profit was mainly due to (i) increase in other income and gains by approximately S\$0.2 million due mainly to receive of Singapore government grant as a result of COVID-19; (ii) decrease in other operating expenses by approximately S\$0.2 million; and (iii) decrease in depreciation of rights of use assets by approximately S\$0.1 million.

The increase in profit was partially offset by increase in employee benefit expenses by approximately S\$0.1 million and decrease in gross profit by approximately \$0.1 million as a result of decrease in revenue. However, our gross profit margin has increased by approximately 3% from approximately 43% in 31 March 2020 to approximately 46% in 31 March 2021 due to slightly lower material costs incurred.

The Group is a leading automotive service provider in Singapore. We have over 16 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 total revenue for the period ended 31 March 2021 (31 March 2020: 93% or S\$5.7 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.

We have also penetrating into China automobiles industry since the third quarter of 2018. Our new businesses in China primarily engage in timeshare car rental and long-term car rental. The management is committed to developing the "Internet +" car sharing and rental market in China. Besides, we are also providing our customers with an innovative car rental and a sales-integrated service platform which covers car sales and car rental service. However, due to COVID-19 outbreak, our revenue generated from subsidiaries in China saw a significant decrease from approximately S\$0.4 million for the period ended 31 March 2020 to nil revenue for the period ended 31 March 2021. Nevertheless, these new businesses will continue to 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.



## 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, 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

For the three months ended 31 March 2021, the Group recorded a decrease in revenue of approximately S\$0.7 million or -14% from approximately S\$6.1 million for the three months ended 31 March 2020 to approximately S\$5.3 million for the three months ended 31 March 2021. The decrease was a result of decrease in revenue from Singapore and nil revenue from China markets due to Coronavirus Disease 2019 (COVID-19) outbreak. While our subsidiaries in China did not contribute any revenue to the Group during the period, it will not affect the revenue of the Group significantly it is relatively new market to our Group’s business.

### **Other income and gains**

Increase in other income and gains by approximately S\$0.2 million due mainly to receive of Singapore government grant as a result of COVID-19.

### **Cost of materials**

Cost of materials decreased by approximately S\$0.6 million from approximately S\$3.5 million for the period ended 31 March 2020 to approximately S\$5.3 million for the period ended 31 March 2021 due to decrease in revenue. However, our gross profit margin has increased by approximately 3% from approximately 43% in 31 March 2020 to approximately 46% in 31 March 2021 due to lower material costs incurred.

### **Employee benefits expense**

Employee benefits expense increased by approximately S\$0.1 million from approximately S\$1.3 million for the period ended 31 March 2020 to approximately S\$1.4 million for the period ended 31 March 2021. The increase in employee benefits expense was a result of increase in both headcounts and manpower costs of all business units of the Group during the period.

### **Depreciation of right-of-use assets**

The Group has recorded a depreciation of right-of-use assets amounting to approximately S\$0.43 million for the period ended 31 March 2021 (31 March 2020: S\$0.46 million).

### **Profit for the period**

The profit for the period increased by approximately S\$0.2 million from approximately of S\$0.03 million for the period ended 31 March 2020 to approximately S\$0.3 million for the period ended 31 March 2021.

The increase in profit was mainly due to (i) increase in other income and gains by approximately S\$0.2 million due mainly to receive of Singapore government grant as a result of COVID-19; (ii) decrease in other operating expenses by approximately S\$0.2 million; and (iii) decrease in depreciation of rights of use assets by approximately S\$0.1 million.

The increase in profit was partially offset by increase in employee benefit expenses by approximately S\$0.1 million and decrease in gross profit by approximately \$0.1 million as a result of decrease in revenue.

## OTHER INFORMATION

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

As at 31 March 2021, 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 <sup>(1)</sup> |
|--|-----------------------------|---------------------------------------|--|
| Mr. CHEN Huichun                       | Beneficial interest         | 700,000                               | 0.04%  |
| Mdm. WANG Chongyu <sup>(2)</sup>       | Interest of spouse          | 700,000                               | 0.04%  |

Notes:

- (1) This is based on the total number of Shares in issue as at 31 March 2021, being 2,000,000,000.
- (2) 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 three months ended 31 March 2021 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 31 March 2021, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

### Long Positions in the Shares

| Name                        | Nature of Interest | Number of Shares | Approximate Percentage of Shareholding in the Company as at 31 March 2021 <sup>(1)</sup> |
|-----------------------------|--------------------|------------------|--|
| Mr. LI Jie                  | Beneficial owner   | 586,020,000      | 29.3%  |
| Mdm. HAN Mei <sup>(2)</sup> | Interest of spouse | 586,020,000      | 29.3%  |

Notes:

- (1) This is based on the total number of Shares in issue as at 31 March 2021, 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.

Save as disclosed above, as at 31 March 2021, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no other person or corporation (other than the Directors and chief executives of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

## Related party transactions

During the three months ended 31 March 2021, 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 three months ended 31 March 2021.





## 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 three months ended 31 March 2021.

## 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 three months ended 31 March 2021.

## 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 three months ended 31 March 2021.

## Compliance with Corporate Governance Code

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximising shareholders' interests.

Pursuant to code provision A.2.1 of the Corporate Governance Code 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. YAN Jianqiang 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.

Mr. ZHANG Guangdong (“Mr. Zhang”) resigned as an independent non-executive Director and ceased to be the chairman of the nomination committee and the risk management committee, and a member of the audit committee and the remuneration committee of the Board on 31 March 2021. Upon the resignation of Mr. Zhang, the number of independent non-executive directors was reduced to two and the audit committee only have two members. It results in non-compliance with the requirements under Rules 5.05(1) and 5.28 of the GEM Listing Rules. In addition, the Company no longer meets the composition requirements for the remuneration committee, nomination committee and risk management committee as required under Rule 5.34 of the GEM Listing Rules and code provision A.5.1 of the CG Code and the terms of reference of the respective committees, as appropriate. The Company is in the process of identifying a suitable candidate to fill the vacancies as soon as practicable in order to re-comply with the relevant requirements of the GEM Listing Rules and the terms of reference of the respective committees. The Company will make further announcement as and when appropriate.

Save as disclosed above, the Directors consider that during the three months ended 31 March 2021, 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 first quarterly results for the three months ended 31 March 2021 were unaudited. The Company’s audit committee (the “Audit Committee”) has reviewed the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2021 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 ended 31 March 2021.

### **Significant investment, material acquisition and disposal**

The Group did not have any significant investment, material acquisition or disposal of subsidiaries or associates during the three months ended 31 March 2021.

### **Events after the reporting period**

With the COVID-19 outbreak, the Group’s subsidiaries in Singapore and China have implemented various precautionary measures to mitigate the risk of the outbreak on the Group’s operations. The COVID-19 outbreak is not expected to have a significant impact on the Group’s operations.

### **Dividends**

The Board did not recommend the payment of any dividend for the three months ended 31 March 2021 (2020: 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  
**YAN Jianqiang**  
*Co-Chairman, Chief Executive Officer  
and Executive Director*

Hong Kong, 20 October 2021

*As at the date of this report, the executive Directors are Mr. YAN Jianqiang, Mr. WU Tangqing and Mr. CHUA Boon Hou (CAI Wenhao); the non-executive Director is Mr. YUAN Guoshun; and the independent non-executive Directors are Mr. LEUNG Yiu Cho and Mr. CHEN Huichun.*