

ZHENG LI HOLDINGS LIMITED 正力控股有限公司

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8283



INTERIM
REPORT
2022

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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 Stock Exchange website at www.hkexnews.hk for at least seven days from the date of its posting. This report will also be published on the website of the Company at www.zhengliholdings.com.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

Mr. FENG Wei (Co-Chairman)

Mr. CHUA Boon Hou (CAI Wenhao)

Ms. WU Lili (appointed on 30 June 2022)

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

COMPLIANCE OFFICER

Mr. CHUA Boon Hou (CAI Wenhao)

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

AUDITOR

CCTH CPA Limited
Certified Public Accountants
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No. 51 Kwai Cheong Road, Kwai Chung
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PRINCIPAL BANKS

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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
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Singapore 575721

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

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

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Hong Kong

STOCK CODE

8283

COMPANY'S WEBSITE ADDRESS

www.zhengliholdings.com

INTERIM RESULTS

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

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

For the three months and six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 S\$'000 (Unaudited)	2021 S\$'000 (Unaudited)	2022 S\$'000 (Unaudited)	2021 S\$'000 (Unaudited)
REVENUE	3	5,584	5,454	11,103	10,795
Other income and gains		52	72	289	296
Items of expense					
Cost of materials		(3,201)	(3,130)	(6,500)	(6,025)
Marketing and advertising expenses		(28)	(21)	(54)	(55)
Employee benefits expense		(1,565)	(1,394)	(2,897)	(2,784)
Depreciation of property, plant and equipment		(357)	(431)	(729)	(863)
Depreciation of right of use assets		(170)	(170)	(340)	(340)
Amortisation of intangible assets		(4)	5	(8)	(1)
Finance costs		(53)	(61)	(107)	(133)
Other expenses		(800)	(288)	(969)	(543)
(Loss) before tax	4	(542)	36	(212)	345
Income tax expense	5	(18)	(19)	(53)	(61)
(Loss) for the period		(560)	17	(265)	277
OTHER COMPREHENSIVE INCOME					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		1	13	1	13
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(559)	30	(264)	290
Loss attributable to:					
Owners of the parent		(513)	17	(218)	277
Total comprehensive loss attributable to:					
Owners of the parent		(513)	30	(218)	290
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
– Basic and diluted (S\$ cents per share)	7	(0.02)	0.01	(0.01)	0.02

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 S\$'000 (Unaudited)	31 December 2021 S\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	3,107	3,818
Right-of-use assets		676	875
Intangible assets		8	–
Financial assets at fair value through profit or loss		537	582
Prepayments, other receivables and other assets		1,307	1,174
Total non-current assets		5,635	6,449
CURRENT ASSETS			
Inventories		1,244	975
Trade receivables	9	882	967
Prepayments, other receivables and other assets		7,359	7,194
Cash and cash equivalents		4,004	4,131
Total current assets		13,489	13,267
CURRENT LIABILITIES			
Trade and other payables	11	3,333	2,959
Interest-bearing bank and other borrowings	12	1,352	2,575
Contract liabilities		2,674	2,383
Tax payable		(80)	122
Total current liabilities		7,279	8,039
NET CURRENT ASSETS		6,210	5,228
TOTAL ASSETS LESS CURRENT LIABILITIES		11,845	11,677
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	851	502
Trade and other payables		2,345	2,206
Provisions		403	413
Contract liabilities		870	916
Deferred tax liabilities		12	12
Total non-current liabilities		4,481	4,049
Net assets		7,364	7,628
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	900	900
Reserves		6,511	6,728
		7,411	7,628
Non-controlling interests		(47)	–
Total equity		7,364	7,628

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital S\$'000	Share premium S\$'000	Other capital reserve S\$'000	Merger reserve S\$'000	Accumulated losses S\$'000	Foreign currency translation reserve S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
At 1 January 2021 (audited)	900	8,982	126	3,884	(5,689)	(6)	8,197	-	8,197
Profit for the period	-	-	-	-	277	13	290	-	290
Total comprehensive profit for the period	-	-	-	-	277	13	290	-	290
At 30 June 2021 (unaudited)	900	8,982	126	3,884	(5,412)	7	8,487	-	8,487
At 1 January 2022 (audited)	900	8,982	126	3,884	(6,248)	(16)	7,628	-	7,628
Total comprehensive profit for the period	-	-	-	-	(218)	1	(217)	(47)	(264)
At 30 June 2022 (unaudited)	900	8,982	126	3,884	(6,466)	(15)	7,411	(47)	7,364

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 S\$'000 (Unaudited)	2021 S\$'000 (Unaudited)
Net cash from operating activities	765	1,569
Net cash (used in) investing activities	(18)	(12)
Net cash (used in) financing activities	(874)	(889)
Net (decrease)/increase in cash and cash equivalents	(127)	668
Cash and cash equivalents at beginning of the period	4,131	1,768
Cash and cash equivalents at end of the period	4,004	2,436

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended 30 June 2022

1. General information

Zheng Li Holdings Limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands on 17 March 2016. The registered office of the Company is at the offices of Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business in Hong Kong under Part 16 of the Companies Ordinance (CAP. 622) is at Room E, 15th Floor, Leahander Centre, 28 Wang Wo Tsai Street, Tsuen Wan, New Territories, 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 2022 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 and six months ended 30 June 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

3. Revenue

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

	Three months ended 30 June		Six months ended 30 June	
	2022 S\$'000 (Unaudited)	2021 S\$'000 (Unaudited)	2022 S\$'000 (Unaudited)	2021 S\$'000 (Unaudited)
Revenue from contracts with customers	5,584	5,454	11,103	10,795

4. Loss before tax

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

	Three months ended 30 June		Six months ended 30 June	
	2022 S\$'000 (Unaudited)	2021 S\$'000 (Unaudited)	2022 S\$'000 (Unaudited)	2021 S\$'000 (Unaudited)
Depreciation of property, plant and equipment	357	431	729	863
Amortisation of intangible assets	4	(5)	8	1
Depreciation of right-of-use assets	170	170	340	340
Staff costs (excluding directors' and chief executive's remuneration)	1,565	1,331	2,897	2,658

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 during the period.

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

	Three months ended 30 June		Six months ended 30 June	
	2022 S\$'000 (Unaudited)	2021 S\$'000 (Unaudited)	2022 S\$'000 (Unaudited)	2021 S\$'000 (Unaudited)
Current income tax				
– Current period	18	19	53	61
Tax expense for the period	18	19	53	61

6. Dividends

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

7. Loss per share attributable to ordinary equity holders of the parent

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

	Three months ended 30 June		Six months ended 30 June	
	2022 S\$'000 (Unaudited)	2021 S\$'000 (Unaudited)	2022 S\$'000 (Unaudited)	2021 S\$'000 (Unaudited)
Loss				
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic loss per share	(513)	30	(218)	290

	Three months ended 30 June		Six months ended 30 June	
	2022 '000 (Unaudited)	2021 '000 (Unaudited)	2022 '000 (Unaudited)	2021 '000 (Unaudited)
Number of Shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	2,000,000	2,000,000	2,000,000	2,000,000

Basic profit/(loss) per share for the six months ended 30 June 2022 is S\$(0.01) cent (2021: S\$0.02 cent).

8. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired S\$0.01 million plant and equipment (six months ended 30 June 2021: Nil). There is no write off/disposal of plant and equipment for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. Trade receivables

	30 June 2022 S\$'000 (Unaudited)	31 December 2021 S\$'000 (Audited)
Trade receivables, gross carrying amount	944	1,029
Impairment	(62)	(62)
Trade receivables, net	882	967

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

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

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

	30 June 2022 S\$'000 (Unaudited)	31 December 2021 S\$'000 (Audited)
At beginning of the year	62	293
Write-off of trade receivables, net	-	(231)
At end of the period/year	62	62

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

As at 30 June 2022

	Past due				Total S\$'000
	Current S\$'000	Less than 1 month S\$'000	1 to 3 months S\$'000	Over 3 months S\$'000	
Gross carrying amount	689	45	20	190	944
Expected credit losses	–	–	–	(62)	(62)
	689	45	20	128	882

As at 31 December 2021

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

10. Prepayments, other receivables and other assets

	30 June 2022 S\$'000 (Unaudited)	31 December 2021 S\$'000 (Audited)
Non-current		
Prepayments	102	99
Loans receivables from third parties*	1,205	1,075
	1,307	1,174
Current		
Prepayments	414	405
Other receivables	319	308
Deposits**	5,510	5,938
Loans receivables from third parties*	1,116	543
	7,359	7,194

* The amount mainly represents interest-bearing S\$ loans provided to customers for the purchase of vehicles.

** The amount mainly represents deposits paid for the purchase of vehicles for resale purpose.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 June 2022 and 31 December 2021, the loss allowance was assessed to be minimal.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses of loan receivables from third parties. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., age). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

	30 June 2022 S\$'000 (Unaudited)	31 December 2021 S\$'000 (Audited)
Gross carrying amount	2,321	1,618
Expected credit losses	–	–
	2,321	1,618

11. Trade and other payables

	30 June 2022 S\$'000 (Unaudited)	31 December 2021 S\$'000 (Audited)
Trade payables	1,347	703
Other payables	1,375	1,478
Accrued expenses	750	778
Amount due to a shareholder*	2,206	2,206
	5,678	5,165
Analysed into:		
Classified under current liabilities		
Payable within one year	3,333	2,959
Classified under non-current liabilities		
Payable within second to third year	2,345	2,206
	5,678	5,165

* The amount mainly represents non-interest-bearing financial support provided to the Group from a shareholder, which is due in 2023.

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

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

	30 June 2022 S\$'000 (Unaudited)	31 December 2021 S\$'000 (Audited)
Less than 30 days	894	628
30–60 days	300	55
61–90 days	75	1
91–120 days	28	6
More than 120 days	50	13
	1,347	703

12. Interest-bearing bank and other borrowings

	30 June 2022		31 December 2021	
	Maturity	S\$'000 (Unaudited)	Maturity	S\$'000 (Audited)
Current				
Lease liabilities	2022	457	2022	1,075
Term loans:				
– S\$ loan at 3% per annum on daily rest (note a)	2022	295	2022	400
– S\$ loan at reference rate plus 3% per annum (note b)	2022	600	2022	1,100
		1,352		2,575
Non-current				
Lease liabilities	2023–2024	851	2023–2024	502
Total		2,203		3,077

	30 June 2022 S\$'000 (Unaudited)	31 December 2021 S\$'000 (Audited)
Analysed into:		
Within one year	1,352	2,575
In the second year	851	497
In the third to fifth years	–	5
	2,203	3,077

Notes:

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

13. Share capital

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 March 2016 with authorised share capital of HK\$380,000 divided into 38,000,000 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 the completion of the reorganisation on 21 October 2016, the Company became the holding company of the Group.

On 4 April 2019, the number of shares of the Company was subdivided into four subdivided shares of HK\$0.0025 each, from 500,000,000 shares to 2,000,000,000 shares.

	2022 S\$'000	2021 S\$'000
Issued and fully paid:		
2,000,000,000 (2020: 2,000,000,000) ordinary shares	900	900

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months ended 30 June 2022, the Group recorded an increase in revenue of approximately S\$0.3 million (by approximately 2.8%) from approximately S\$10.8 million for the six months ended 30 June 2021 to approximately S\$11.1 million for the six months ended 30 June 2022. The increase in revenue was mainly due to additional S\$0.3 million revenue generated from China market as a result of incorporation of new subsidiary in China.

For the six months ended 30 June 2022, the Group recorded a loss of approximately S\$0.3 million as compared to a gain of S\$0.3 million for the corresponding period in 2021. The loss was mainly due to (i) increase in cost of sales by approximately S\$0.5 million due to increase in revenue. However, our gross profit margin has decreased by approximately 3% from approximately 44% in 30 June 2021 to approximately 41% in 30 June 2022 due to slightly higher material costs incurred; (ii) increase in employee benefit expenses by approximately S\$0.1 million; and (iii) increase in other expenses by approximately S\$0.4 million as a result of professional fee incurred by the Company and operating expenses incurred by new subsidiary of the Group. The increase in costs was partially offset by increase in revenue by approximately S\$0.3 million and decrease in depreciation expense by approximately S\$0.1 million.

The Group is a leading automotive service provider in Singapore. We have over 18 years of experience in the passenger car service industry and offer a comprehensive range of passenger car services. Our passenger car services in Singapore mainly including (i) maintenance and repair services; and (ii) modification, tuning and grooming services. These two services contributed approximately 97% or S\$10.8 million of total revenue for the period ended 30 June 2022 (30 June 2021: 100% or S\$10.8 million).

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

Outlook

As previously mentioned, Land Transport Authority (“LTA”) on 18 February 2020 announced that under the Land Transport Master Plan 2040, Singapore will embark on a vision to have all vehicles run on cleaner energy by 2040. The Singapore government is introducing measures to facilitate adoption of electric vehicles (“EV”), which is one of the cleanest and lowest-emission vehicular technologies available today. On 8 March 2022, the Transport Minister said that to make every Housing and Development Board (HDB) town “EV-ready” by 2025, nearly 2,000 HDB car parks will each have a minimum of three charging points and “mostly provide low-powered, overnight charging”, to meet the needs of car owners and minimise the load on the electrical grid. While the authority is installing more EV charging points closer to homes as part of Singapore Green Plan, the move to phase out internal combustion engines car to electric car by 2040 may not have any significant impact to the Group’s business in Singapore in the next decade as petrol-driven cars still make up the majority of cars on the road.

Based on LTA’s annual statistic 2021, they were only 3,713 fully electric vehicles (“EV”) (2020: 1,397) on the road or just 0.57 per cent of the total car population in Singapore and majority were owned by car-sharing firm BlueSG, ride-hailing giant Grab and HDT, another all-electric taxi fleet operator in Singapore. One of the reasons for lack of popularity of electric vehicles in Singapore is due to unavailability of home charging for car owner except landed property residents with their own car park space while majority of Singapore local residents are staying in high rise apartments. Singapore has set a national target of 60,000 charging points in public carparks by 2030 up from about 2,000 currently.

In preparation for the market developments, the Group will continue to pursue technological advancement in both repair equipment and new vehicle engine type to ensure that our technicians continuously upgrade their skills and technical knowledge in order for them to be able to service a wide range of brands of passenger cars which drives the future development of the car maintenance and repair market in Singapore.

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.

In China, the Company and Beijing Churen Yiliao Technology Co., Ltd. had entered into a Joint Venture Agreement on 27 January 2022 in relation to the formation of the JV Company in the PRC to carry out the development of various smart solutions in connection with kitchen and food storage, and the manufacturing, consultancy and sales of smart kitchen appliances. The company 60% owned subsidiary, namely, Beijing Zhengli Zhongshi Technology Co., Ltd.* (北京正力中食科技有限公司) had been formed for this purpose and will continue to be one of the key focus of the Group. 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.

* For identification purpose only

Financial review

Revenue

For the six months ended 30 June 2022, the Group recorded an increase in revenue of approximately S\$0.3 million (by approximately 2.8%) from approximately S\$10.8 million for the six months ended 30 June 2021 to approximately S\$11.1 million for the six months ended 30 June 2022. The increase in revenue was mainly due to additional S\$0.3 million revenue generated from China market as a result of incorporation of new subsidiary in China.

Cost of materials

Cost of materials increased by approximately S\$0.5 million due to increase in revenue. However, our gross profit margin has decreased by approximately 3% from approximately 44% in 30 June 2021 to approximately 41% in 30 June 2022 due to slightly higher material costs incurred.

Employee benefits expense

Employee benefits expense increased by approximately S\$0.1 million from approximately S\$2.8 million for the period ended 30 June 2021 to approximately S\$2.9 million for the period ended 30 June 2022. The increase in employee benefits expense was a result of increase in both headcounts and manpower costs of all business units of the Group.

Other expenses

Other expenses increased by approximately S\$0.4 million as a result of professional fee incurred by the Company and operating expenses incurred by new subsidiary of the Group.

Loss for the period

For the six months ended 30 June 2022, the Group recorded a loss of approximately S\$0.3 million as compared to a gain of S\$0.3 million for the corresponding period in 2021. The loss was mainly due to (i) increase in cost of sales by approximately S\$0.5 million due to increase in revenue. However, our gross profit margin has decreased by approximately 3% from approximately 44% in 30 June 2021 to approximately 41% in 30 June 2022 due to slightly higher material costs incurred; (ii) increase in employee benefit expenses by approximately S\$0.1 million; and (iii) increase in other expenses by approximately S\$0.4 million as a result of professional fee incurred by the Company and operating expenses incurred by new subsidiary of the Group. The increase in costs was partially offset by increase in revenue by approximately S\$0.3 million and decrease in depreciation expense by approximately S\$0.1 million.

Liquidity, financial and capital resources

Cash position

Our cash and bank balances amounted to approximately S\$4.0 million and S\$4.1 million as at 30 June 2022 and 31 December 2021, respectively. The functional currency of our Group is SGD. As at 30 June 2022, 82% of our Group's cash and bank balances was denominated in the functional currency (31 December 2021: 99%) and the remaining 18% (31 December 2021: 1%) in other currencies, mainly Hong Kong dollar and Renminbi.

Our Group's primary sources of funds during the period was cash from operating activities. Our Group had net cash generated from operating activities of approximately S\$0.8 million. We had net cash used in investing activities of approximately S\$0.01 million and net cash used in financing activities of approximately S\$0.9 million.

Gearing ratio

Gearing ratio is measured by interest-bearing bank and other borrowings divided by the total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratio is 0.3 times as at 30 June 2022 (31 December 2021: 0.4 times).

Risk of exchange rate fluctuation

The Group has currency exposures arising from sales, purchases and interest-bearing bank and other borrowings that are denominated in a currency other than the functional currency of the Group. No hedge has been taken up to mitigate this exposure.

Contingent liabilities

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: nil).

Charge on assets

The Group's short-term loan are secured by a legal mortgage of the Group's freehold property which had a carrying amount of approximately S\$2.2 million as at 30 June 2022 (31 December 2021: S\$2.2 million). Details of the Group's charge on assets as at 30 June 2022 are set out in Note 12 to the unaudited condensed consolidated financial statements.

OTHER INFORMATION

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

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

Long Position in the Shares

Name of Directors and Chief Executives	Capacity/Nature of Interest	Number of Shares or underlying Shares	Approximate percentage of interest in the Company ⁽¹⁾
Mr. CHEN Huichun	Beneficial interest	700,000	0.04%
Mdm. WANG Chongyu ⁽²⁾	Interest of spouse	700,000	0.04%

Notes:

- (1) This is based on the total number of Shares in issue as at 30 June 2022, 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 six months ended 30 June 2022 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective close associates (as defined under the GEM Listing Rules) to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any of its associated corporations.

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

As at 30 June 2022, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to 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 30 June 2022 ⁽¹⁾
Mr. LI Jie	Beneficial owner	586,020,000	29.3%
Mdm. HAN Mei ⁽²⁾	Interest of spouse	586,020,000	29.3%

Notes:

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

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

Related party transactions

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

Directors' interest in competing business

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

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

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

Share option scheme

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

Directors' securities transactions

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

Compliance with Corporate Governance Code

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

Pursuant to code provision C.2.1 of the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "CG Code"), the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. WANG Lei is currently a Co-Chairman and the Chief Executive Officer of the Group. The Board believes that vesting the roles of both co-chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

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

Audit committee

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

Significant investment, material acquisition and disposal

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

Events after the reporting period

On 27 July 2022, the Company held an extraordinary general meeting (the "EGM") to approve, among other things, the proposed change of the English name of the Company to "Zhongshi Minan Holdings Limited" and the dual foreign name in Chinese of the Company to "中食民安控股有限公司". The special resolution regarding the change of the name of the Company was passed and approved at the EGM.

The Certificate of Incorporation on Change of Name was issued by Registry of Companies of Cayman Islands on 5 August 2022. The Company is in the process of carrying out all necessary registration and filing procedures with the Companies Registry in Hong Kong. Further announcement will be made by the Company upon the change of company name becoming effective in accordance with the Listing Rules.

For further details of the proposed change of the name of the Company, please refer to the announcements dated 5 July 2022 and 27 July 2022 respectively and the circular of the Company dated 11 July 2022.

Dividends

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

Appreciation

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

By Order of the Board

WANG Lei

*Co-Chairman, Chief Executive Officer and
Executive Director*

Hong Kong, 12 August 2022

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