Zheng Li Holdings Limited
正力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8283)

2018 INTERIM RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of Zheng Li Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries for the three months and six months ended 30 June 2018. This announcement, containing the full text of the 2018 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**GEM Listing Rules**") in relation to information to accompany preliminary announcement of interim results.

By order of the Board of
Zheng Li Holdings Limited
Kelvin LIM
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 8 August 2018

As at the date of this announcement, the executive Directors are Mr. Kelvin LIM, Mr. CHUA Boon Hou and Mr. CHEN Feng, the non-executive Director is Mr. WU Tangqing; and the independent non-executive Directors are Ms. POK Mee Yau, Mr. LIU Ji, Mr. LEUNG Yiu Cho and Mr. ZHANG Guangdong.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 in this announcement misleading.

This announcement will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its posting. This announcement will also be published on the website of the Company at www.zhengliholdings.com.

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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 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

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Kelvin LIM
Mr. CHUA Boon Hou (Cai Wenhao)
Mr. CHEN Feng *(appointed on 27 June 2018)*

NON-EXECUTIVE DIRECTORS

Mr. DU Xianjie *(Resigned on 4 July 2018)*
Mr. WU Tangqing *(appointed on 23 April 2018)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. POK Mee Yau
Mr. LIU Ji
Mr. LEUNG Yiu Cho
Mr. ZHANG Guangdong *(appointed on 27 June 2018)*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

COMPLIANCE OFFICER

Mr. CHUA Boon Hou (Cai Wenhao)

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

AUDITOR

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Certified Public Accountants:
22/F, CITIC Tower
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Hong Kong

COMPLIANCE ADVISOR

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Singapore 018982

United Overseas Bank Limited
80 Raffles Place
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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183 Queen's Road East
Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN SINGAPORE

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

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No. 1 Harbour Road
Hong Kong

STOCK CODE

8283

COMPANY'S WEBSITE ADDRESS

www.zhengliholdings.com

INTERIM RESULTS

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

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

For the three months and six months ended 30 June 2018

	Notes	Three months ended 30 June 2018 S$'000 (Unaudited)	Three months ended 30 June 2017 S$'000 (Unaudited)	Six months ended 30 June 2018 S$'000 (Unaudited)	Six months ended 30 June 2017 S$'000 (Unaudited)
REVENUE	3	**4,424**	3,937	**8,187**	6,914
Other income and gains		**114**	63	**189**	384
Items of expense					
Cost of materials		**(1,998)**	(1,968)	**(4,111)**	(3,530)
Marketing and advertising expenses		**(43)**	(18)	**(97)**	(53)
Employee benefits expense		**(1,421)**	(1,002)	**(2,955)**	(2,037)
Depreciation of property, plant and equipment		**(474)**	(83)	**(938)**	(157)
Amortisation of intangible assets		**(4)**	(26)	**(10)**	(34)
Bad debts written off		**(46)**	–	**(46)**	–
Finance costs		**(41)**	(16)	**(94)**	(33)
Other expenses		**(1,066)**	(726)	**(2,150)**	(1,165)
(Loss)/profit before tax	4	**(555)**	161	**(2,025)**	289
Income tax expense	5	**–**	(34)	**–**	(76)
(Loss)/profit for the period		**(555)**	127	**(2,025)**	213
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(555)**	127	**(2,025)**	213
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
— Basic and diluted (S$ cents)	7	**(0.11)**	0.03	**(0.41)**	0.04

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 S$'000 (Unaudited)	31 December 2017 S$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**9,005**	10,130
Intangible asset		**89**	100
Available-for-sale investment		**433**	433
Total non-current assets		**9,527**	10,663
CURRENT ASSETS			
Inventories		**1,603**	1,214
Trade and other receivables	9	**6,580**	7,997
Prepayments		**1,395**	1,203
Cash and cash equivalents		**389**	1,133
Total current assets		**9,967**	11,547
CURRENT LIABILITIES			
Trade and other payables	10	**3,780**	4,995
Provisions		**597**	615
Interest-bearing bank and other borrowings	11	**2,531**	2,694
Deferred revenue		**1,070**	647
Tax payable		**21**	21
Total current liabilities		**7,999**	8,972
NET CURRENT ASSETS		**1,968**	2,575
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,495**	13,238
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	**1,208**	926
Deferred tax liabilities		**49**	49
Total non-current liabilities		**1,257**	975
Net assets		**10,238**	12,263
EQUITY			
Share capital	12	**900**	900
Reserves		**9,338**	11,363
Total equity		**10,238**	12,263

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital S$'000	Share premium S$'000	Available-for-sale investment revaluation reserve S$'000	Merger reserve S$'000	Retained profits/ (accumulated losses) S$'000	Total S$'000
At 1 January 2017 (audited)	900	8,982	17	3,884	546	14,329
Profit for the period	–	–	–	–	213	213
Total comprehensive income for the period	–	–	–	–	213	213
At 30 June 2017 (unaudited)	900	8,982	17	3,884	759	14,542
At 1 January 2018 (audited)	**900**	**8,982**	**8**	**3,884**	**(1,511)**	**12,263**
Loss for the period	**–**	**–**	**–**	**–**	**(2,025)**	**(2,025)**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**(2,025)**	**(2,025)**
At 30 June 2018 (unaudited)	**900**	**8,982**	**8**	**3,884**	**(3,536)**	**10,238**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	S$'000	S$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(982)**	(4,410)
Net cash from/(used in) investing activities	**235**	(381)
Net cash from financing activities	**3**	42
Net decrease in cash and cash equivalents	**(744)**	(4,749)
Cash and cash equivalents at beginning of the period	**1,133**	6,789
Cash and cash equivalents at end of the period	**389**	2,040

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended 30 June 2018

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

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

(1) maintenance and repair of passenger cars; and

(2) modification, tuning and grooming of the performance or appearance of passenger cars and trading of spare parts and accessories.

2. Basis of preparation

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

Basis of consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 June 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 that such control ceases.

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

3. Revenue

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

	Three months ended 30 June		Six months ended 30 June	
	2018 S$'000 (Unaudited)	2017 S$'000 (Unaudited)	2018 S$'000 (Unaudited)	2017 S$'000 (Unaudited)
Maintenance and repair services	**3,755**	3,089	**6,854**	5,621
Modification, tuning and grooming services and trading of spare parts	**669**	848	**1,333**	1,293
	4,424	3,937	**8,187**	6,914

4. (Loss)/profit before tax

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

	Three months ended 30 June		Six months ended 30 June	
	2018 S$'000 (Unaudited)	2017 S$'000 (Unaudited)	2018 S$'000 (Unaudited)	2017 S$'000 (Unaudited)
Depreciation of property, plant and equipment	**474**	83	**938**	157
Amortisation of intangible assets	**4**	26	**10**	34
Minimum lease payments under operating leases	**285**	407	**565**	539
Staff costs (excluding directors' and chief executive's remuneration)	**1,188**	987	**2,464**	1,618
Bad debt written off	**46**	–	**46**	–
Foreign exchange (gains)/losses	**(5)**	4	**10**	5
Loss on disposal of property, plant and equipment	**–**	53	**135**	53

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.

	Three months ended 30 June		Six months ended 30 June	
	2018 S$'000 (Unaudited)	2017 S$'000 (Unaudited)	2018 S$'000 (Unaudited)	2017 S$'000 (Unaudited)
Current income tax — Current period	**–**	34	**–**	76
Tax expense for the period — Singapore	**–**	34	**–**	76

6. Dividends

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2018.

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

As at 30 June 2018, the Company had 500,000,000 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	
	2018	2017	2018	2017
	S$'000	S$'000	S$'000	S$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/earnings				
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share	**(555)**	127	**(2,025)**	213

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**500,000**	500,000	**500,000**	500,000

Basic (loss)/earnings per share for the six months ended 30 June 2018 is S$(0.41) cents (2017: S$0.04 cents).

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

8. Property, plant and equipment

During the six months ended 30 June 2018, the Group acquired plant and equipment of approximately S$0.6million (six months ended 30 June 2017: S$0.6million) and wrote off/disposed of plant and equipment of approximately of S$0.8million (six months ended 30 June 2017: S$0.1million).

9. Trade and other receivables

	30 June 2018 S$'000 (Unaudited)	31 December 2017 S$'000 (Audited)
Trade receivables	**3,723**	4,561
Allowance for trade receivables	**(96)**	(96)
Trade receivables, net	**3,627**	4,465
Other receivables	**25**	284
Deposits	**2,928**	3,248
	6,580	7,997

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

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

	30 June 2018 S$'000 (Unaudited)	31 December 2017 S$'000 (Audited)
Less than 30 days	**1,513**	1,159
30–60 days	**131**	353
61–90 days	**79**	374
91–120 days	**28**	185
More than 120 days	**1,876**	2,394
	3,627	4,465

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

	30 June 2018 S$'000 (Unaudited)	31 December 2017 S$'000 (Audited)
At 1 January	**96**	22
Impairment losses recognised	**–**	74
Write-off of trade receivables	**–**	–
At 30 June/31 December	**96**	96

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

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

	30 June 2018 S$'000 (Unaudited)	31 December 2017 S$'000 (Audited)
Neither past due nor impaired	**1,083**	1,159
Past due but not impaired		
Less than 30 days	**561**	353
30–60 days	**78**	374
61–90 days	**28**	185
91–120 days	**13**	61
More than 120 days	**1,864**	2,333
	2,544	3,306
	3,627	4,465

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

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

10. Trade and other payables

	30 June 2018 S$'000 (Unaudited)	31 December 2017 S$'000 (Audited)
Trade payables	**2,162**	2,539
Other payables	**81**	632
Deposits received from customers	**167**	130
Accrued expenses	**1,370**	855
Loan from a director	**–**	839
	3,780	4,995

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

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

	30 June 2018 S$'000 (Unaudited)	31 December 2017 S$'000 (Audited)
Less than 30 days	**1,137**	870
30–60 days	**304**	699
61–90 days	**229**	550
91–120 days	**259**	235
More than 120 days	**233**	185
	2,162	2,539

11. Interest bearing bank and other borrowings

	30 June 2018 Maturity	30 June 2018 S$'000 (Unaudited)	31 December 2017 Maturity	31 December 2017 S$'000 (Audited)
Current				
Term loans:				
— US$ loan at bank's cost of fund ("COF") + 3.5% per annum (note a)	**–**	**–**	2018	265
— S$ loan at bank's 6-month cost of fund ("COF") + 1.5% per annum (note a)	**2018**	**46**	2018	105
— S$ loan at 5% per annum on daily rest	**2018-2019**	**492**	2018	536
— S$ loan at 4% per annum on daily rest (note c)	**2018-2019**	**156**	2018	159
— S$ loan at bank's 3-month cost of fund ("COF") + 2.88% per annum (note a, note b)	**2019-2031**	**1,561**	2019-2031	1,561
Obligations under finance leases	**2018-2019**	**276**	2018	68
		2,531		2,694
Non-current				
Term loans:				
— S$ loan at 5% per annum on daily rest	**2019**	**103**	2019	344
— S$ loan at 4% per annum on daily rest	**2019-2020**	**248**	2019-2020	324
Obligations under finance leases	**2019-2023**	**857**	2019-2022	258
		1,208		926
Total		**3,739**		3,620

	30 June 2018 S$'000 (Unaudited)	31 December 2017 S$'000 (Audited)
Analysed into:		
Within one year	**2,531**	2,694
In the second year	**538**	571
In the third to fifth	**670**	355
Over five years	**–**	–
	3,739	3,620

Notes:

(a) S$ and US$ loans

The Group's term loans (short and long term loans) are secured by way of corporate guarantees provided by the Company and a subsidiary and a legal mortgage of the Group's freehold property which had a carrying amount of S$2,298,000 as at 30 June 2018 (31 December 2017: S$2,323,000). The long term loan matures on 15 October 2031.

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

— 1st year at bank's 1-year cost of funds + 1.5% per annum.

— 2nd year at bank's 6-month cost of funds + 1.5% per annum.

— 3rd year and onwards at bank's 3-month cost of funds + 2.88% per annum.

(b) The Group's loans are subject to financial covenants and the Group did not satisfy one of the financial covenants for its term loan as at balance sheet date. Accordingly, the loan amount of $1,561,000 has been reclassified and presented as a current liability as at 30 June 2018.

(c) These loans are incurred with a charge over certain machinery.

12. Share capital

	30 June 2018 S$'000 (Unaudited)	31 December 2017 S$'000 (Audited)
Issued and fully paid:		
500,000,000 ordinary shares	**900**	900

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months ended 30 June 2018, the Group recorded a growth in revenue by approximately S$1.3 million or 18.8% from approximately S$6.9 million for the six months ended 30 June 2017 to approximately S$8.2 million for the six months ended 30 June 2018, mainly attributable to the opening of our new Sin Ming Autocity service centre which commenced operations in September 2017. However, the Group recorded a loss of approximately S$2.0 million for the six months ended 30 June 2018 as compared to a profit of S$0.2 million for the corresponding period in 2017. This was mainly attributable to an increase in administrative and operating expenses including employee benefits expense, depreciation of property, plant and equipment, rental expenses and legal and professional fees.

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; and (ii) modification, tuning and grooming services. We have the capability to maintain and repair a wide range of brands of passenger cars in Singapore and are equipped with diagnostic equipment for carrying out such services. Maintenance and repair services continue to be a key focus of the Group, contributing approximately 83.7% and 81.2% of total revenue for the six months ended 30 June 2018 and 2017, respectively. 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, People's Republic of China and Thailand.

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

Outlook

The first half of 2018 was a period 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 in 2018. This new scheme is a more stringent scheme of rebates and surcharges, and 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 an expected fall of total registered vehicles in Singapore, and increased retention of vehicles via renewed COEs. According to the Asian Automotive Federation, new motor vehicles sales in Singapore has expectedly fallen 13.3% year-on-year as at 30 June 2018.

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.

In 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 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 programme ("Extended Warranty Programme") to both new and used passenger cars. Under the Extended Warranty Programme, the Group provides authorised automobile repair and maintenance services for the insured customers and receive a warranty revenue from the programme. The Extended Warranty Programme 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 2016, China has become the largest manufacturer and market for electric vehicles. In Singapore, the government has also 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. 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$1.3 million or approximately 18.8% from approximately S$6.9 million for the six months ended 30 June 2017 to approximately S$8.2 million for the six months ended 30 June 2018. This is mainly due to increases in both our maintenance and repair services and modification, tuning and grooming services and trading of spare parts segments as a result of the increased capacity and service offerings with the new Sin Ming Autocity service centre.

Employee benefits expense

Our Group's employee benefits expense increased by approximately S$0.9 million or approximately 45.0% from approximately S$2.0 million for the six months ended 30 June 2017 to approximately S$2.9 million for the six months ended 30 June 2018. This is mainly due to an increase in employee headcount in line with our business expansion at the new Sin Ming Autocity service centre. In addition, there were increased directors' fees as a result of the appointment of two executive Directors in 2017 and salary increments for existing employees during 2017.

Other expenses

Our Group's other expenses increased by approximately S$1.0 million or approximately 83.3% from approximately S$1.2 million for the six months ended 30 June 2017 to approximately S$2.2 million for the six months ended 30 June 2018. This is mainly due to increases 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.

(Loss)/Profit for the period

Our Group recorded a loss for the six months ended 30 June 2018 of approximately S$2.0 million, while a profit of approximately S$0.2 million was recorded for the six months ended 30 June 2017. This was mainly due to (i) an increase in employee benefits expense including directors' fees as a result of the increase in headcount for the expansion of our business at the new Sin Ming Autocity service centre and salary increments for existing employees during 2017, and the appointment of two executive Directors in 2017; (ii) increases in our rental expense and depreciation of property, plant and equipment due to commencement of operations at Sin Ming Autocity service centre; and (iii) increase in professional advisory fees.

Liquidity, financial and capital resources

Cash position

Our cash and bank balances amounted to approximately S$0.4 million and S$1.1 million as at 30 June 2018 and 31 December 2017, respectively. The functional currency of our Group is SGD. As at 30 June 2018, 96% of our Group's cash and bank balances was denominated in the functional currency (31 December 2017: 57%) and the remaining 4% (31 December 2017: 43%) in other currencies, mainly Hong Kong dollar.

Our Group's primary sources of funds during the period was cash from investing activities. Our Group had net cash used in operating activities of approximately S$1.0 million. We had net cash from investing activities of approximately S$0.2 million from the proceeds of disposal of property, plant and equipment.

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 0.37 times as at 30 June 2018 (31 December 2017: 0.30 times).

Risk of exchange rate fluctuation

Most of the transactions of the Group are denominated in SGD, which is the functional currency of the Group. Hence, the Group is not exposed to significant foreign exchange exposure. The Group had not used any financial instruments for hedging purposes.

Contingent liabilities

As at 30 June 2018, the Group had no contingent liabilities (31 December 2017: nil).

Charge on assets

The Group's long term loan are secured by a legal mortgage of the Group's freehold property which had a carrying amount of approximately S$2.3 million as at 30 June 2018 (31 December 2017: S$2.3 million). Details of the Group's charge on assets as at 30 June 2018 are set out in Note 11 to the unaudited condensed consolidated financial statements.

Employees and remuneration policy

As at 30 June 2018, the Group had a total number of 94 employees (30 June 2017: 76 employees) in Singapore. The remuneration packages of all employees are determined based on factors such as the employees' individual qualifications, contribution to the Group, performance and years of work experience.

The Group provides ongoing training to our staff in order to enhance their technical skills and product knowledge and to provide them with updates with regards to industry quality and work safety standards.

Events after the reporting period

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

Comparison of business objectives with actual business progress

An analysis comparing the business objectives as set out in the Prospectus for the period from 21 October 2016, being the latest practicable date as defined in the Prospectus, to 30 June 2018 with the Group's actual business progress for the Review Period is set out as follows:

Business Objective	Actual Progress
Expand our servicing capacity	The Group leased Unit 01-16 Sin Ming Drive which was operational in 3rd Quarter of 2016. The Group secured 9 units of workshops at Sin Ming Autocity in 2nd Quarter of 2017.
Expand and train our workforce	As part of the Group's plan to increase our service output, the Group employed additional 24 staff including 20 technical staff, 2 human resource and administrative staff and 2 insurance staff. The Group will continue to retain sufficient experienced employees and identify talented candidate to improve the value of our human resources.
Strengthen our brand and sales and marketing	To improve our branding strategies, the Group appointed an external consultant to refine our brand identity and enhance our communication strategy. The Group has enhanced its website and appointed an external vendor to design an application for a loyalty program for the Group. During the period under review, the Group also launched a few sales and marketing promotions.
Strengthen our operational efficiency	The Group procured and completed the integration of a new payroll system and new ERP system specialised for automotive industry. This system allows the Group to, amongst others, (a) maximise the efficiency of our service centres by providing tools designed to provide real-time service centre management; and (b) have access to up-to-date information by utilising a report generator that can be used for creating ad-hoc reports based on our specific needs and requirements. New hard drives, computers and other IT related peripherals were also purchased during the period.
To lower our gearing ratio	The Group has fully repaid the short term US dollar bank loan in 1st quarter of 2017.

Use of proceeds

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

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

Up to 30 June 2018, the Group has applied the net proceeds as follows:

	Planned amount 30 June 2018 HK$'million	Actual usage HK$'million
Expand our servicing capacity	14.1	14.1
Expand and train our workforce	4.3	4.3
Strengthen our brand and sales and marketing	2.4	2.4
Upgrade our information technology system	2.1	2.1
Partial repayment of bank loan	1.3	1.3
Working capital and general corporate purposes	0.4	0.4
	24.6	24.6

As announced on 8 May 2017, the Group continued to use the proceed from the initial public offering of approximately HK$14.1 million for expanding our servicing capacity and the Directors resolved to allocate the relevant proceeds originally planned for the New Premises to Sin Ming Autocity instead. Save as the above, the usage of proceeds from the Placing as set out in the Prospectus remain unchanged.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the Directors and chief executives of the Company or any of their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in the Shares:

Name of Director/ Chief Executive	Capacity/ Nature of Interest	Shares held as at 30 June 2018	
		Number of Underlying Shares	Approximate Percentage (Note)
Mr. Kelvin LIM	Beneficial interest	15,000,000	3.0%

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

Save as disclosed above, as at 30 June 2018, 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 2018 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 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	Aggregate number of Shares or underlying Shares	Approximate percentage of interest in our Company as at 30 June 2018[1]
Mr. LI Jie	Beneficial owner	137,500,000	27.5%
Mdm. HAN Mei[2]	Interest of spouse	137,500,000	27.5%

Notes:

(1) This is based on the total Shares in issue as at 30 June 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 June 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 executives of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

RELATED PARTY TRANSACTIONS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the date of this report, the Directors are not aware of any business or interest of the Directors nor our controlling shareholders nor any of their respective close associates that competes or may compete, directly or indirectly, with the Group's business and any other conflicts of interest which any such person has or may have with the Group during the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 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 since the adoption of the Scheme up to the date of this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by Directors on terms as required by Rule 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 six months ended 30 June 2018.

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. Kelvin 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 six months ended 30 June 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 Group's interim results for the three months and six months ended 30 June 2018 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the interim results of the Group for the six months ended 30 June 2018 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. A meeting of the Audit Committee was held with the management of the Company for, amongst other things, reviewing the interim results of the Group for the three months and six months ended 30 June 2018.

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 2018.

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2018 (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
Mr. Kelvin LIM
Chairman and Executive Director

8 August 2018