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## **Zheng Li Holdings Limited**

**正力控股有限公司**

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

**(Stock code: 8283)**

### **CHANGE IN USE OF PROCEEDS FROM THE PLACING**

Reference is made to the prospectus of Zheng Li Holdings Limited (the “**Company**”) dated 31 October 2016 (the “**Prospectus**”) relating to the placing and listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 8 November 2016 (the “**Placing**”) and the annual report of the Company and its subsidiaries for the year ended 31 December 2016 dated 24 March 2017 in relation to the use of proceeds from the Placing. The board (the “**Board**”) of directors (the “**Directors**”) of the Company has resolved to change the use of proceeds from the Placing. Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus.

#### **USE OF PROCEEDS**

As set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the amount of net proceeds from the Placing received by the Company, after deducting the expenses related to the Placing paid by the Company, is approximately HK\$24.6 million. The Company intends to apply such net proceeds for the following purposes:

- Approximately HK\$14.1 million, representing approximately 57.4% of the net proceeds from the Placing, will be used for expanding our servicing capacity;
- Approximately HK\$4.3 million, representing approximately 17.5% of the net proceeds from the Placing, will be used for expanding and training the workforce of the Group;
- Approximately HK\$2.4 million, representing approximately 9.9% of the net proceeds from the Placing, will be used for strengthening the brand and sales and marketing of the Group;
- Approximately HK\$2.1 million, representing approximately 8.4% of the net proceeds from the Placing, will be used for upgrading the informational technology system of the Group;
- Approximately HK\$1.3 million, representing approximately 5.3% of the net proceeds from the Placing, will be used for partial repayment of bank loan; and
- Approximately HK\$0.4 million, representing approximately 1.5% of the net proceeds from the Placing, will be used as working capital and for general corporate purposes.

As at the date of this announcement, approximately HK\$0.7 million has been used for expanding our servicing capacity, approximately HK\$0.7 million has been used for expanding and training the workforce of the Group, approximately HK\$0.7 million has been used for strengthening the brand and sales and marketing of the Group, approximately HK\$0.3 million has been used for upgrading of the informational technology system of the Group, approximately HK\$1.0 million has been used for partial repayment of bank loan; and approximately HK\$0.2 million has been used for working capital and for general corporate purposes.

## REASON FOR CHANGE IN USE OF PROCEEDS

### (A) Expand our service capacity

As set out in the Prospectus, it is the business strategy of the Group to strengthen its leading market position in Singapore and expand its servicing capacity and customer base. In order to achieve this business goal, the Group entered into an option to lease agreement with an independent third party to secure the New Premises with an indicative area of approximately 2,973 to 3,066 sq.m. It was the intention of the Group to utilise the New Premises as an additional service centre. The New Premise was under construction with an expected completion date in mid-2017 and is expected to be available for use by 30 June 2017.

Apart from the New Premises, the Group sources different sites from time to time as alternatives for the expansion of the Group's service capacity. The Group considers Sin Ming Autocity an appropriate choice which is suitable to execute the Group's expansion plan. Sin Ming Autocity is a new 8-storey complex and is located at 160 Sin Ming Drive, across our existing service centre located at Sin Ming Drive (the "**Sin Ming Service Centre**"). Completed in 2016, Sin Ming Autocity is owned by the Housing and Development Board of Singapore and comprises 162 units suitable for trades in the motor workshop-related industries.

With the completion of construction of the New Premises, the Group recently obtained the actual floor plan and conducted site visits to the New Premises in April 2017. The Group has also received a quotation from the relevant landlord. After evaluating on the floorplan of the allocated units in the New Premises, including but not limited to unit size, layout, building and area design and availability of parking space, and after considering the close proximity of Sin Ming Autocity to our Sin Ming Service Centre which allows better utilisation of the Group's resources and capacities, the Directors are of the view that, as compared with the New Premises, Sin Ming Autocity is more suitable for its intended expansion plan.

As at the date of this announcement, the Group has secured a total of 9 units of workshops (the "**Autocity Units**") at Sin Ming Autocity. The total floor area of the Autocity Units is approximately 2,295 sqm, with an aggregate monthly rental of approximately S\$54,303.

The new workshop will include accident repair facilities such as aluminium welding centre, spray painting preparation area, a section for Chromax low emission spray painting activities, low bake oven and wheels alignment system. This is to cater for the Group's expansion of its services to include car bodywork involving panel beating and spray painting which we subcontracted previously. This expansion allows the Group to qualify as an approved reporting centre ("**ARC**") and authorised repairer ("**Authorised Repairer**") for insurance companies. An

insured who is involved in any car accident, will report the accident to the insurance company's ARC within 24 hours or by the next working day. As an Authorised Repairer, our Group shall render repair services in respect of the insured vehicles. The Group has recently been approached by a number of international based insurance companies as one of their authorized automobile repair and maintenance centre. This expansion would allow the Group to provide more services to existing customers and broaden its customer base of insurance companies and individual customers.

The Autocity Units will be (i) designed with quality customer facilities such as a larger, more comfortable waiting area and professional reception area; (ii) constructed with a modification and tuning service area; and (iii) equipped with a full-fledge accident repair facilities as well as repair and maintenance workshop area.

## **(B) Change in use of proceeds**

The Group shall continue to use the proceed from the Placing of approximately HK\$14.1 million for expanding our servicing capacity. However, as a result of the current plan to operate the new service centre at Autocity Units instead of the New Premises, the Directors have resolved to allocate the relevant proceeds originally planned for the New Premises to Autocity Units instead. Save as the above, the usage of proceeds from the Placing as set out in the Prospectus remain unchanged.

The Board is of the view that there are no material changes in the nature of business objectives as set out in the Prospectus and that the aforesaid change in the use of the net proceeds from the Placing is in the interests of the Group and its shareholders as a whole.

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

Singapore, 8 May 2017

*As at the date of this announcement, the executive Directors are Mr. Kelvin LIM, Mr. CHUA Boon Hou, Mr. LIM Kong Joo, Mr. WANG Jingan, the non-executive Director is Mr. DU Xianjie; and the independent non-executive Directors are Ms. POK Mee Yau, Mr. LIU Ji and Mr. LEUNG Yiu Cho.*

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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](http://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](http://www.zhengliholdings.com).*