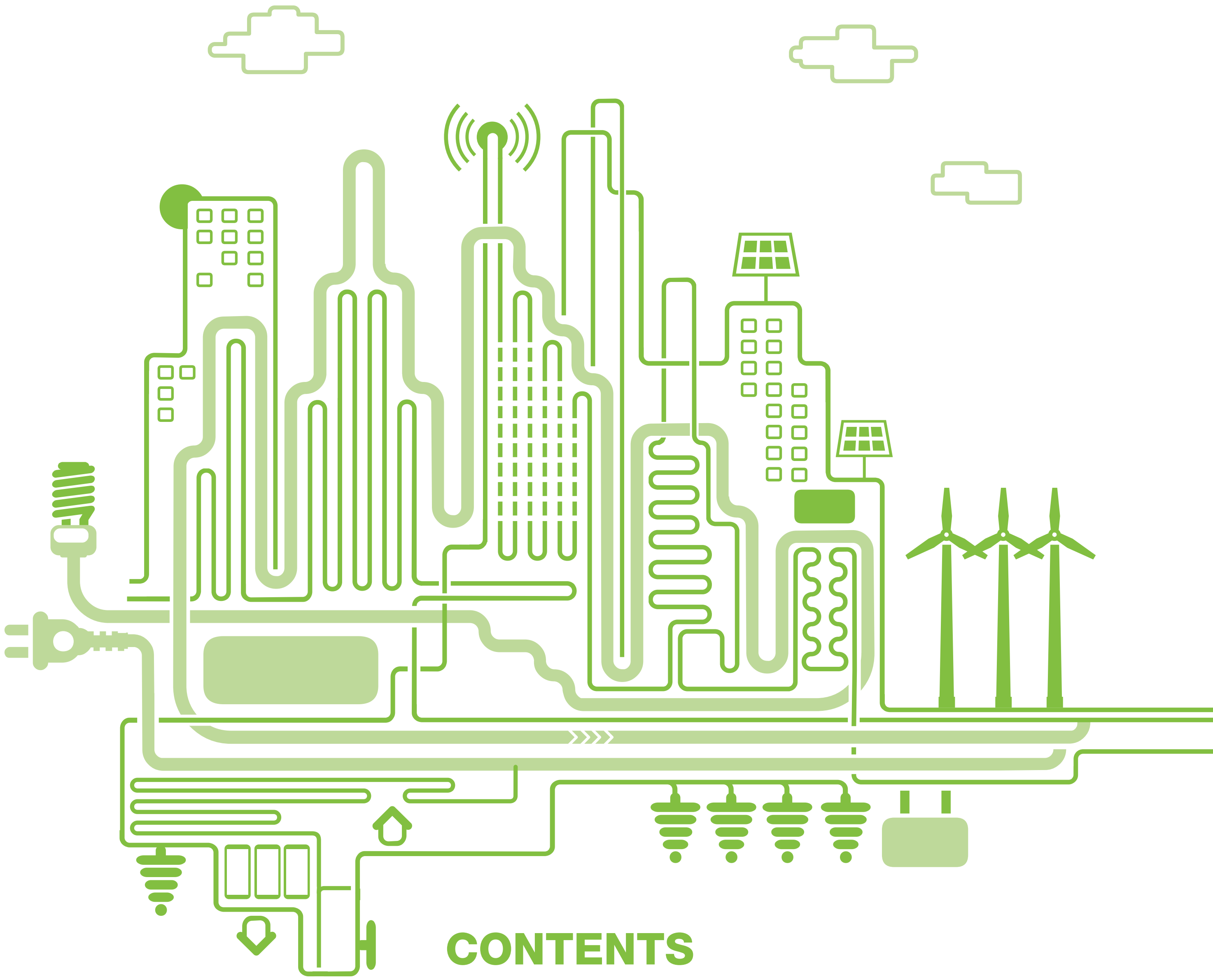
KINGBO STRIKE LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1421

INTERIM REPORT 2017/2018



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Yancheng *(Chairman)*
Mr. Yao Runxiong
Mr. Liu Xinsheng
Mr. Peng Rongwu

Non-executive Director

Mr. Tam Tak Wah

Independent Non-executive Directors

Mr. Leung Po Hon
Mr. Li Jin
Dr. Luo Xiaodong

AUDIT COMMITTEE

Mr. Leung Po Hon *(Chairman)*
Mr. Li Jin
Dr. Luo Xiaodong
Mr. Tam Tak Wah

NOMINATION COMMITTEE

Mr. Liu Yancheng *(Chairman)*
Mr. Leung Po Hon
Mr. Li Jin
Dr. Luo Xiaodong

REMUNERATION COMMITTEE

Mr. Leung Po Hon *(Chairman)*
Mr. Li Jin
Mr. Liu Xinsheng
Dr. Luo Xiaodong
Mr. Tam Tak Wah

AUDITORS

HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank (Singapore) Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1011, 10th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Li Chi Chung, Solicitor, Hong Kong
19/F, Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Liu Xinsheng
Mr. Li Chi Chung, Solicitor, Hong Kong

WEBSITE OF THE COMPANY

www.kingbostrike.com

Management Discussion and Analysis

BUSINESS REVIEW

During the period under review, Kingbo Strike Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") have undergone various changes in its mode of business:

Solar Power Business

Further to the completion of disposal of the entire registered capital of 開合新能源(鎮江)有限公司 (Kaihe New Energy (Zhenjiang) Company Limited*) at a total consideration of RMB30,000,000 on 25 May 2017, the solar power business has transformed into the design, supply and installation of solar photovoltaic parts and equipment. The Group has recognised a revenue of approximately RMB34.2 million (equivalent to approximately S$7.0 million) from the solar power business in these six months ended 31 December 2017.

The Group will continuously develop the solar power business and strive to maximise the return to the shareholders of the Company.

Electrical Engineering Services

For the six months ended 31 December 2017, the electrical engineering services in Singapore recorded a revenue of approximately S$9.6 million which represents a decrease of approximately 14.5% over that of approximately S$11.2 million for the six months ended 31 December 2016. This is mainly attributable to the fierce competition in public housing development projects in Singapore.

During the six months ended 31 December 2017, the Group completed 2 projects (six months ended 31 December 2016: nil), all (six months ended 31 December 2016: nil) of which are public residential projects. The Group did not secure any new projects in these six months ended 31 December 2017 (six months ended 31 December 2016: nil). As at 31 December 2017, the value of outstanding contracts to be completed was approximately S$6.0 million (30 June 2017: approximately S$15.6 million). All the 4 (30 June 2017: 6) outstanding contracts as at 31 December 2017 are public residential projects.

Consumer Products and Accessories

In line with the corporate strategy for further fostering the revenue and diversifying the revenue base, the Group commenced trading of consumer products and accessories since November 2017. The Group recorded a revenue of approximately HK$14.8 million (equivalent to approximately S$2.6 million) in these six months ended 31 December 2017.

FINANCIAL REVIEW

Revenue

For the six months ended 31 December 2017, majority of the Group's revenue was derived from solar power business in the People's Republic of China (the "**PRC**") and electrical engineering services in Singapore.

Revenue contributed from solar power business in the PRC and electrical engineering services in Singapore comprised approximately 36.5% (S$7.0 million) and 50.1% (S$9.6 million) of the total revenue of the Group, respectively.

Consumer products and accessories segment, which commenced trading during the period under review, also contributed 13.4% (S$2.6 million) of the total revenue.

* *for identification purpose only*

Operating Results

During the period under review, gross profit of the Group decreased by 11.0% to approximately S$1.6 million (six months ended 31 December 2016: S$1.8 million) as compared to the same period of last financial year. Gross profit margin for the six months ended 31 December 2017 decreased to 8.2% from that of 15.7% for the six months ended 31 December 2016. This significant reduction is mainly attributable to the lower gross profit margin generated from the housing projects of the electrical engineering services in Singapore. Although the gross profit margin for these housing projects are variable on their scale, complexity, specifications, timing and capacity, keen competition in the market is a crucial factor for the reduction in gross profit margin. Loss attributable to owners of the Company is approximately S$2.5 million (six months ended 31 December 2016: S$86,000) and basic loss per share attributable to ordinary equity holders of the parent is S0.25 cent (six months ended 31 December 2016: S0.01 cent). The loss is mainly attributable to (i) fair value loss on held for trading investments of approximately S$2.6 million; and (ii) recognition of fair value gain amounting to approximately S$2.1 million on profit guarantee receivable for the six months ended 31 December 2016, which is non-recurring in the six months ended 31 December 2017.

Other Gains and Losses

Other gains and losses has experienced a sharp increase in aggregate net losses of approximately S$1.2 million for the six months ended 31 December 2016 to that of approximately S$2.6 million for the six months ended 31 December 2017. This is primarily attributable to the fair value gain on profit guarantee receivable of approximately S$2.1 million taken place in the six months ended 31 December 2016, which is non-recurring on the six months ended 31 December 2017.

Administrative Expenses

Administrative expenses for the six months ended 31 December 2017 increased by 57.5% to approximately S$2.2 million (2016: S$1.4 million) which was attributable to the increase in salaries and legal and professional fees.

Share of Results of Joint Ventures

The Group's share of results of joint ventures increased by 51.5% to approximately S$1.2 million (2016: S$820,000) during the period under review. The increase in profits contributed from joint ventures is mainly attributable to more work done to newly secured projects during the six months ended 31 December 2017.

Taxation

There was a net income tax expense of approximately S$182,000 for the six months ended 31 December 2017 compared with a net income tax credit of approximately S$145,000 for the same period last year as there was a reversal of tax expense of approximately S$320,000 in the six months ended 31 December 2016 due to the reduction in the share price of the listed securities held for trading.

Liquidity, Financial Resources and Gearing

As at 31 December 2017, net current assets of the Group was approximately S$44.2 million (30 June 2017: S$40.5 million). Besides, the Group maintained cash and cash equivalents of approximately S$17.7 million (30 June 2017: S$17.2 million), of which approximately 17.3% was in Hong Kong dollars, 75.1% was in Singapore dollars and 7.6% was in other currencies (30 June 2017: 22.6% was in Hong Kong dollars and 77.4% was in Singapore dollars).

The Group's gearing ratio was 1.6% (30 June 2017: 7.1%), which was calculated on the basis of net debt over equity attributable to owners of the Company. Net debt is calculated as trade and other payables less cash and cash equivalents. The reduction in gearing ratio is mainly due to the decrease in trade and other payables

On 20 June 2017, the Company entered into a placing agreement (the "**Placing Agreement**") with Pinestone Securities Limited, pursuant to which Pinestone Securities Limited has conditionally agreed, as agent of the Company, to procure on a best effort basis, not less than six placees to subscribe for up to 152,000,000 placing shares at the placing price of HK$0.266 per placing share (the "**Placing**"). The Placing was completed on 6 July 2017 and 152,000,000 placing shares with an aggregate nominal value of HK$1,520,000 were allotted and issued by the Company to not less than six placees who were professional, institutional or other investors, who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons.

The placing price of HK$0.266 per placing share represents: (i) a discount of approximately 8.28% to the closing price of HK$0.29 per share as quoted on the Stock Exchange of Hong Kong Limited on 20 June 2017, being the date of the Placing Agreement; and (ii) a discount of approximately 9.83% to the average closing price of HK$0.295 per share as quoted on the Stock Exchange of Hong Kong Limited for the last five consecutive trading days immediately prior to the date of the Placing Agreement. The net placing price of the Placing was approximately HK$0.261 per placing share.

The Placing was conducted by the Company to raise additional funding for the business operations of the Group and strengthen the financial position of the Group, and enlarge the shareholders' base, which may in turn enhance the liquidity of the shares of the Company. The net proceeds from the Placing amounted to approximately HK$39.7 million was previously intended to be applied as to HK$20 million to finance the acquisition of properties situated in Taiwan and the remaining balance as general working capital. As disclosed in the announcement of the Company dated 12 January 2018, the acquisition of properties has lapsed and all the net proceeds from the Placing would be applied as general working capital of the Group. The Company has utilised all the net proceeds as to (i) approximately 7.4% in human resources; (ii) approximately 2.9% in office utilities; (iii) approximately 16.0% in other general expenses; and (iv) approximately 73.7% for working capital in respect of trading in consumer products and accessories, in the six months ended 31 December 2017.

Capital Structure, Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group primarily financed its operations with internally generated cash flows, and by its internal resources and shareholder's equity. Cash was generally placed in short-term deposits. The liquidity and financing requirements of the Group were reviewed regularly.

The Group's business mainly operates in Singapore, PRC and Hong Kong. Accordingly, its revenue and transactions arising from its operations were generally settled in Singapore dollars, Renminbi and United States dollars and Hong Kong dollars. As a result, fluctuations in the value of Hong Kong dollars/United States dollars and Renminbi against Singapore dollars could adversely affect the cash and cash equivalent which is reported in Singapore dollars. During the six months ended 31 December 2017, the Group did not experience in any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation.

The Group did not use any financial instruments for hedging purposes during the six months ended 31 December 2017 and there was no hedging instrument outstanding as at 31 December 2017. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

Charge on Assets

As at 31 December 2017 and 30 June 2017, the Group had no charges on its assets.

Capital Expenditure and Commitments

During the six months ended 31 December 2017, the Group had capital expenditure of approximately S$65,000 (2016: S$306,000).

As at 31 December 2017, the Group had commitments contracted for but not provided in the condensed consolidated financial statements of approximately S$3.4 million (30 June 2017: S$3.5 million) in respect of acquisition of properties. The commitments were subsequently released as a result of a deed of termination entered into on 12 January 2018 for the termination of the provisional agreement for the acquisition of the properties.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

As at 31 December 2017, the Group held certain listed securities as held-for-trading investments.

The Group identified its investments based on the share price performance and future prospect of the investments. For the six months ended 31 December 2017, the Group did not receive any dividend income (six months ended 31 December 2016: Nil) from investment in listed securities and made a fair value loss of S$2.6 million (six months ended 31 December 2016: S$3.5 million) on held-for-trading investments, in which S$1.0 million (six months ended 31 December 2016: nil) is realised loss. This fair value loss is mainly the combination effect of: (i) increase in share price of 31.2% of Chi Ho Development Holdings Limited ("**Chi Ho**"); (ii) decrease in share price of 94.9% of Li Bao Ge Group Limited ("**Li Bao Ge**"); and (iii) decrease in the share price of Pinestone Capital Limited ("**Pinestone**") of 66.6% and (iv) decrease in share price of 36.7% of China Baoli Technologies Holdings Limited ("**China Baoli**") during the six months ended 31 December 2017. All the shares of Heng Tai Consumables Group Limited were disposed of during the six months ended 31 December 2017.

* The unofficial English translations are for identification purposes only.

Details of all the held-for-trading investments were set out in note 19 to the condensed consolidated financial statements.

China Baoli is principally engaged in mobile technologies business, tourism and hospitality business, gamma ray irradiation services, and securities trading and investment. Although China Baoli recorded a loss for the financial year ended 31 March 2017 and for the six months ended 30 September 2017, they are committed to identifying and evaluating appropriate opportunities to invest in, thereby continuously improving its market competitiveness and maintaining its overall performance. Their goal is to generate stable fee based income and performance based revenue. In the long run, the Group believes that China Baoli will continue to diversify its existing business so as to achieve better growth potential and generating promising returns to the shareholders.

Pinestone is a Hong Kong-based financial services provider principally engaged in provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services. The profit for the financial year ended 31 December 2016 of Pinestone is approximately HK$27.6 million, which has increased by approximately HK$12.2 million compared to that of the previous year. Pinestone continued to record a profit of HK$10.6 million for the six months ended 30 June 2017. Furthermore, Pinestone has successfully transferred its shares from being listed on the Growth Enterprise Market to the Main Board of the Stock Exchange on 8 June 2017. Pinestone will continue to cultivate client relationship, strengthen the financial positions, and explore business opportunities to maximize the long-term return for the shareholders. Being optimistic in the securities industry in Hong Kong, the Company is positive towards the prospect of Pinestone.

Li Bao Ge is principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and the PRC. The profit for the financial year ended 31 December 2016 of Li Bao Ge is approximately HK$9.5 million, which has increased by approximately HK$3.2 million compared to that of the previous year. Li Bao Ge continued to record a profit of HK$7.8 million for the six months ended 30 June 2017. Although Li Bao Ge continuously recorded profit for the six months ended 30 June 2017, it had experience a significant fluctuation of the share price during the six months ended 31 December 2017. For prudence sake, the group had disposed a substantial part of its holding in Li Bao Ge during the period.

Chi Ho is an established main contractor for the provision of renovation and maintenance works, alteration and addition works, and fitting-out works in Hong Kong. The Group is responsible for the overall management, implementation and supervision of projects. The Group focuses on the management of projects, development of work programmes, procurement of works materials, operation of site works, co-ordination with the customers or their consultants and quality control of the works carried out by the employees and the subcontractors. The profit for the financial year ended 31 March 2017 of Chi Ho is approximately HK$12.5 million, which has decreased by approximately HK$2.5 million compared to that of the previous year. Chi Ho continued to record a profit of HK$10.2 million for the six months ended 30 September 2017.

The Company holds positive views towards the prospect of the above listed companies.

Save for those disclosed above, note 19 to the condensed consolidated financial statements of this Interim Report, interests in joint ventures and interests in an associate, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review.

Contingent Liabilities

Save as disclosed in note 24 to the condensed consolidated financial statements, the Group had no other contingent liabilities as at 31 December 2017.

Employment and Remuneration Policy

As at 31 December 2017, the total number of employees of the Group was 161 (30 June 2017: 173). During the period under review, employees costs (including Directors' emoluments) amounted to approximately S$2.7 million (2016: S$2.6 million). Remuneration of the employees which included salary and discretionary bonus was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to qualified personnel.

Prospect

Although the Group has commenced its trading business in consumer products and accessories in order to broaden the revenue stream, during the period under review, the fierce competition in public housing development in Singapore and the uncertainty of the solar power business in the PRC might bring challenges to the Group.

The Group will continue to leverage its resources to improve the profitability and simultaneously take prudent measures to control the operating costs.

Looking ahead, the Group will continually enhance its principal businesses and will seek for good business opportunities so as to enhance the value of the shareholders of the Company.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Six months ended 31 December 2017 S$ Unaudited	2016 S$ Unaudited
REVENUE	6	19,127,403	11,211,938
Cost of sales		(17,561,292)	(9,451,339)
Gross profit		1,566,111	1,760,599
Other gains and losses	7	(2,620,528)	(1,240,230)
Administrative expenses		(2,162,159)	(1,372,755)
Other expenses		(147,983)	(238,455)
Finance costs	8	(3,768)	(6,011)
Share of results of joint ventures		1,242,178	820,017
Share of results of an associate		21,673	(39,476)
LOSS BEFORE TAX	9	(2,104,476)	(316,311)
Income tax (expense) credit	10	(182,019)	144,731
LOSS FOR THE PERIOD		(2,286,495)	(171,580)
ATTRIBUTABLE TO			
Owners of the parent		(2,481,470)	(86,287)
Non-controlling interests		194,975	(85,293)
		(2,286,495)	(171,580)
LOSS FOR THE PERIOD		(2,286,495)	(171,580)
Exchange differences on translation of foreign operations		57,708	2,732,771
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD		(2,228,787)	2,561,191
ATTRIBUTABLE TO			
Owners of the parent		(2,424,822)	2,631,544
Non-controlling interests		196,035	(70,353)
		(2,228,787)	2,561,191
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted (S cent)	11	(0.25)	(0.01)

Consolidated Statement of Financial Position

	Notes	31 December 2017 S$ Unaudited	30 June 2017 S$ Audited
NON-CURRENT ASSETS			
Goodwill	13	16,446,060	16,291,283
Prepayments	18	1,768,878	1,768,878
Interests in joint ventures		3,950,133	2,957,955
Interests in an associate		512,452	490,779
Plant and equipment	14	550,896	611,236
Trade and other receivables	15	2,472,189	2,470,373
Total non-current assets		25,700,608	24,590,504
CURRENT ASSETS			
Gross amount due from customers for contract work in progress	16	1,710,358	3,254,446
Inventories	17	10,033,421	17,704
Trade receivables, deposits and other receivables	15	29,794,223	36,394,266
Prepayments	18	2,931,037	34,288
Held-for-trading investments	19	5,433,724	9,245,609
Cash and cash equivalents		17,739,112	17,165,860
Total current assets		67,641,875	66,112,173
CURRENT LIABILITIES			
Income tax payable		4,719,071	4,433,737
Trade and other payables	20	18,679,786	21,146,823
Total current liabilities		23,398,857	25,580,560
NET CURRENT ASSETS		44,243,018	40,531,613
TOTAL ASSETS LESS CURRENT LIABILITIES		69,943,626	65,122,117

Consolidated Statement of Financial Position

	Notes	31 December 2017 S$ Unaudited	30 June 2017 S$ Audited
NON-CURRENT LIABILITIES			
Trade and other payables	20	44,588	44,168
Deferred tax liabilities		40,608	40,330
Total non-current liabilities		85,196	84,498
NET ASSETS		69,858,430	65,037,619
EQUITY			
Share capital	21	1,665,702	1,396,622
Reserves		59,851,577	55,495,881
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		61,517,279	56,892,503
Non-controlling interests		8,341,151	8,145,116
TOTAL EQUITY		69,858,430	65,037,619

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent								
	Share capital *(note 21)* S$ Unaudited	Share premium S$ Unaudited	Statutory surplus reserve S$ Unaudited	Exchange fluctuation reserve S$ Unaudited	Retained profits (Accumulated losses) S$ Unaudited	Merger reserves S$ Unaudited	Total S$ Unaudited	Non-controlling interests S$ Unaudited	Total Equity S$ Unaudited
At 1 July 2017	1,396,622	82,336,712	1,295,091	(1,505,080)	(24,391,195)	(2,239,647)	56,892,503	8,145,116	65,037,619
Loss for the period	–	–	–	–	(2,481,470)	–	(2,481,470)	194,975	(2,286,495)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	–	–	–	56,648	–	–	56,648	1,060	57,708
Profit (loss) and total comprehensive income (loss) for the period	–	–	–	56,648	(2,481,470)	–	(2,424,822)	196,035	(2,228,787)
Issue of shares	269,080	6,780,518	–	–	–	–	7,049,598	–	7,049,598
At 31 December 2017	1,665,702	89,117,230	1,295,091	(1,448,432)	(26,872,665)	(2,239,647)	61,517,279	8,341,151	69,858,430
At 1 July 2016	1,261,436	76,984,011	–	(1,498,545)	15,893,756	(2,239,647)	90,401,011	1,036,618	91,437,629
Loss for the period	–	–	–	–	(86,287)	–	(86,287)	(85,293)	(171,580)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	–	–	–	2,717,831	–	–	2,717,831	14,940	2,732,771
Profit and total comprehensive income (loss) for the period	–	–	–	2,717,831	(86,287)	–	2,631,544	(70,353)	2,561,191
Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	517,397	517,397
At 31 December 2016	1,261,436	76,984,011	–	1,219,286	15,807,469	(2,239,647)	93,032,555	1,483,662	94,516,217

Condensed Consolidated Statement of Cash Flows

	Six months ended 31 December	
	2017	2016
	S$	S$
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	**(5,655,724)**	(9,352,929)
Interest received	**28,216**	11,634
Overseas tax paid	**(124,774)**	(123,293)
Net cash flows used in operating activities	**(5,752,282)**	(9,464,588)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received from joint ventures	**–**	1,660,000
Purchase of held-for-trading investments	**–**	(891,700)
Capital contribution from non-controlling interests	**–**	517,397
Purchase of items of plant and equipment	**(65,094)**	(306,393)
Proceeds on disposal of plant and equipment	**3,355**	1,711
Net cash flows (used in) generated from investing activities	**(61,739)**	981,015
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from issue of shares	**7,049,598**	–
Proceeds from interest-bearing borrowings	**–**	10,267,299
Net cash flows generated from financing activity	**7,049,598**	10,267,299
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,235,577**	1,783,726
Effects of currency translation on cash and cash equivalents	**(662,325)**	977,002
Cash and cash equivalents at beginning of period	**17,165,860**	12,672,201
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**17,739,112**	15,432,929
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at banks and on hand	**17,739,112**	15,432,929

Notes to the Consolidated Financial Statements

1. CORPORATE AND GROUP INFORMATION

Kingbo Strike Limited (the "Company") was incorporated in the Cayman Islands on 19 June 2013 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The Company's registered office address is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under the Companies Ordinance (Chapter 622 of the laws of Hong Kong) on 5 September 2013 and the principal place of business in Hong Kong is at Room 1011, 10th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the provision of electrical engineering services in Singapore; design, supply and installation of solar photovoltaic parts and equipment in the People's Republic of China (the "**PRC**") and trading of consumer products and accessories ("**trading business**").

Information about major subsidiaries

Particulars of the Company's major subsidiaries as at 31 December 2017 are as follows:

Name	Place of incorporation and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 31 December 2017 Direct	31 December 2017 Indirect	30 June 2017 Direct	30 June 2017 Indirect	Principal activities
Strike Electrical Engineering Pte Ltd ("**Strike Singapore**")	Singapore	S$1,510,000	100	–	100	–	Electrical works and general building engineering services
Capital Asia Investment Limited	Hong Kong	HK$1	–	100	–	100	Investment holding and trading business
Max Lucky Corporation Limited	Hong Kong	HK$1	–	100	–	100	Investment holding
Marvel Skill Holdings Limited	BVI	US$50,000	100	–	100	–	Investment holding
Kahuer Holding Co., Limited	BVI	US$50,000	–	60	–	60	Investment holding

Notes to the Consolidated Financial Statements

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about major subsidiaries *(Continued)*

Name	Place of incorporation and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
			31 December 2017		30 June 2017		
			Direct	Indirect	Direct	Indirect	
Loydston International Limited	Hong Kong	HK$500,000	–	60	–	60	Investment holding
開合新能源(盱眙)有限公司[3] (Kaihe New Energy (Xuyi) Company Limited) ("**Kaihe New Energy (Xuyi)**")	PRC	RMB6,824,178	–	60	–	60	Construction and operation of solar power station projects
萊斯頓新能源(鎮江)有限公司[1,2,3] Loydston New Energy (Zhenjiang) Company Limited	PRC	US$10,000,000[4]	–	60	–	–	Construction and operation of solar power station projects
Mega Ascent Trading Limited[1]	HK	HK$1	–	100	–	–	Trading business
Kingbo Finance Limited	Hong Kong	HK$1	–	100	–	–	Provision of Finance

Notes:

1 Newly incorporated during the period ended 31 December 2017.
2 Registered as a wholly-foreign-owned enterprise under PRC law.
3 The unofficial English translations are for identification purposes only.
4 The amount is registered share capital but not paid up as at 31 December 2017.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors of the Company, principally affected the results or assets of the Group.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2017 (the "**Interim Financial Statements**") have been prepared in accordance with International Accounting Standards ("**IASs**") 34 Interim Financial Reporting issued by the International Accounting Standard Board ("**IASB**").

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at and for the year ended 30 June 2017.

The Interim Financial Statements have been prepared under the historical cost convention except for held-for-trading investments (Note 19). These financial statements are presented in Singapore dollars ("**S$**").

Basis of consolidation

The Interim Financial Statements comprise the financial statements of the Company and its subsidiaries for the six months ended 31 December 2017. The financial statements of the subsidiaries used in the preparation of the Interim Financial Statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to transactions and events in similar circumstances.

All intra-group balances, income and expenses resulting from intra-group transactions are eliminated in full.

The Group's investments in an associate and joint ventures are stated in the unaudited condensed consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES

In the current period, the Group has applied a number of amendments to International Financial Reporting Standards ("**IFRSs**") issued by IASB that are mandatorily effective for current period of the Group.

The Group has not applied the following IFRSs that have been issued but are not yet effective in the six months ended 31 December 2017:

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 40	Transfers of Investment Property[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 1 included in Annual Improvements 2014-2016 Cycle	First-time Adoption of International Financial Reporting Standards[1]
Amendments to IAS 28 included in Annual Improvements 2014-2016 Cycle	Investments in associates and Joint Ventures[1]
IFRS 16	Leases[2]
IFRIC 23	Uncertainty over Income Tax treatments[2]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 10 and IAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

The Group's Interim Financial Statements have been reviewed by the audit committee of the Company (the "**Audit Committee**").

4. ESTIMATES

The preparation of the Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future accounting periods.

5. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) provision of electrical engineering services ("**engineering services**");

(b) design, supply and installation of solar photovoltaic parts and equipment ("**solar power business**"); and

(c) trading of consumer products and accessories ("**trading business**").

Management considers the business from product type perspective. Management monitors the results of engineering services, solar power business and trading business separately for the purpose of making decisions about resource allocation and performance assessment. Management was of the view that these three segments were mutually exclusive and distinguished from each other.

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that unallocated gains as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

5. SEGMENT INFORMATION *(Continued)*

Six months ended 31 December 2017

	Engineering services S$ Unaudited	Solar power business S$ Unaudited	Trading business S$ Unaudited	Total S$ Unaudited
Segment revenue:				
Sales to external customers	9,585,012	6,986,748	2,555,643	19,127,403
Segment results:	1,617,182	656,906	24,371	2,298,459
Unallocated gains				10,094
Corporate and other unallocated expenses				(4,413,029)
Loss before tax				(2,104,476)
Segment assets:	23,956,816	51,390,760	7,302,335	82,649,911
Corporate and other unallocated assets				10,692,572
Total assets				93,342,483
Segment liabilities:	9,989,000	5,400,396	1,988,417	17,377,813
Corporate and other unallocated liabilities				6,106,240
Total liabilities				23,484,053

5. SEGMENT INFORMATION *(Continued)*

Six months ended 31 December 2016

	Engineering services S$ Unaudited	Solar power business S$ Unaudited	Trading business S$ Unaudited	Total S$ Unaudited
Segment revenue:				
Sales to external customers	11,211,938	–	–	11,211,938
Segment results:	2,110,754	(213,231)	–	1,897,523
Unallocated gains				2,269,252
Corporate and other unallocated expenses				(4,483,086)
Loss before tax				(316,311)

At 30 June 2017

	Engineering services S$ Audited	Solar power business S$ Audited	Trading business S$ Audited	Total S$ Audited
Segment assets:	24,852,677	50,480,947	–	75,333,624
Corporate and other unallocated assets				15,369,053
Total assets				90,702,677
Segment liabilities:	12,489,491	6,759,354	–	19,248,845
Corporate and other unallocated liabilities				6,416,213
Total liabilities				25,665,058

5. SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	Six months ended 31 December 2017 S$ Unaudited	2016 S$ Unaudited
Revenue		
Singapore	9,585,012	11,211,938
Mainland China	6,986,748	–
Hong Kong	2,555,643	–
	19,127,403	11,211,938

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	31 December 2017 S$ Unaudited	30 June 2017 S$ Audited
Singapore	7,024,101	5,990,245
Mainland China	16,640,002	16,483,399
Hong Kong	2,036,505	2,116,860
	25,700,608	24,590,504

The non-current asset information above is based on the locations of the assets.

6. REVENUE

The Group's revenue represents an appropriate proportion of contract revenue of construction contracts; the net invoiced value of goods and services sold, after allowances for returns and trade discount during the respective reporting periods.

	Six months ended 31 December	
	2017	2016
	S$	S$
	Unaudited	Unaudited
Contract revenue	**9,585,012**	11,211,938
Net invoiced value of goods and services	**9,542,391**	–
	19,127,403	11,211,938

7. OTHER GAINS AND LOSSES

	Six months ended 31 December	
	2017	2016
	S$	S$
	Unaudited	Unaudited
Foreign exchange differences	**(49,440)**	151,652
Bank interest income	**28,216**	11,634
Incentives from the Singapore Government *(Note)*	**8,286**	14,195
Fair value loss on held-for-trading investments	**(2,609,398)**	(3,546,553)
Fair value gain on profit guarantee receivable	**–**	2,125,331
Gain on disposal of plant and equipment	**–**	1,711
Others	**1,808**	1,800
	(2,620,528)	(1,240,230)

Note: Incentives from the Singapore Government comprise special employment credit, temporary employment credit and wages credit scheme. There are no unfulfilled conditions or contingencies relating to these incentives.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 December	
	2017	2016
	S$	S$
	Unaudited	Unaudited
Bank charges	**(3,768)**	(6,011)
Interest on interest-bearing borrowings	**–**	(810,090)
Total	**(3,768)**	(816,101)
Less: interest capitalised	**–**	810,090
	(3,768)	(6,011)

9. LOSS BEFORE TAX

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

		Six months ended 31 December	
		2017	2016
		S$	S$
		Unaudited	Unaudited
(a)	Auditors' remuneration	**300,291**	174,073
	Depreciation of plant and equipment	**113,337**	96,076
	Gain on disposal of plant and equipment	**–**	(1,711)
	Loss on plant and equipment written-off	**–**	688
	Cost of goods and services provided	**17,561,292**	9,451,339
	Minimum lease payments under operating leases	**336,103**	272,713
	Employee benefits *(note b)*	**2,736,802**	2,583,901
(b)	Employee benefits (including Directors' remuneration):		
	– Directors' fees	**251,849**	161,253
	– Salaries, wages and bonuses	**2,393,927**	2,325,687
	– Defined contribution retirement plans	**91,026**	96,961
		2,736,802	2,583,901
(c)	Fair value loss on held-for-trading investments	**2,609,398**	3,546,553
	Fair value gain on profit guarantee receivables	**–**	(2,125,331)

10. INCOME TAX (EXPENSE) CREDIT

	Six months ended 31 December	
	2017	2016
	S$	S$
	Unaudited	Unaudited
Current – Singapore		
– Charge for the period	**(12,829)**	(166,688)
– Over-provision in respect of prior period	**–**	8,020
Current – others (the PRC and Hong Kong)		
– Charge for the period	**(169,468)**	–
– Over-provision in respect of prior period	**–**	319,664
Deferred	**278**	(16,265)
– Tax (charge) credit for the period	**(182,019)**	144,731

The Company's profit is not subject to any tax in its country of incorporation, the Cayman Islands. No Hong Kong profits tax has been provided (six months ended 31 December 2016: Nil) since no assessable profit arose in Hong Kong during the reporting periods.

The assessable profit arising from the subsidiary in Singapore is taxed at a statutory tax rate of 17%, and on the other hand, the assessable profit arising from the subsidiary in the PRC is subject to the PRC corporate income tax at a rate of 25%.

11. BASIC AND DILUTED LOSS PER SHARE

The weighted average number of equity shares refers to shares in issue during the period. The Group had no potentially dilutive ordinary shares (six months ended 31 December 2016: Nil) in issue during the period.

The calculations of basic and diluted loss per share are based on:

	Six months ended 31 December	
	2017	2016
	S$	S$
	Unaudited	Unaudited
Losses		
Loss attributable to equity holders of the Company, used in the basic and diluted loss per share calculation	**(2,481,470)**	(86,287)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	**983,869,565**	760,000,000
Basic and diluted loss per share (S cent)	**(0.25)**	(0.01)

12. DIVIDEND

No dividend was declared for the six months ended 31 December 2017 (six months ended 31 December 2016: Nil).

13. GOODWILL

	S$ Unaudited
Cost	
As at 1 July 2016	57,354,883
Exchange realignment	155,540
As at 30 June 2017 and 1 July 2017	57,510,423
Exchange realignment	546,386
As at 31 December 2017	58,056,809
Accumulated impairment loss	
As at 1 July 2016	–
Impairment loss recognised during the year	41,163,325
Exchange realignment	55,815
As at 30 June 2017 and 1 July 2017	41,219,140
Exchange realignment	391,609
As at 31 December 2017	41,610,749
Net carrying amount as at 31 December 2017	16,446,060

Impairment assessment

Goodwill acquired through business combinations is allocated to solar power cash-generating unit ("**CGU**") for impairment testing. The recoverable amount of the CGU to which the goodwill was allocated has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The Group has appointed an independent professional valuer to perform a value-in-use calculation for impairment assessment on the CGU. Key input in the valuation is as follows:

13. GOODWILL *(Continued)*

Impairment assessment *(Continued)*

The pre-tax discount rate applied to the cash flow projections is 24.44% (30 June 2017: 22.96%). The projected revenue was based on the management's judgement with reference to a long term agreement entered into in 2017 for the provision and installation of photovoltaic parts and equipment. The cash flows beyond the five year period are extrapolated assuming a 2% growth rate (30 June 2017: 2%).

As the recoverable amount of the CGU attributable to the owners of the Company as measured on value in use basis as at 31 December 2017 is higher than the carrying amount of S$16,446,060, it is therefore considered that there is no impairment loss on the net carrying amount of goodwill as at 31 December 2017.`

14. PLANT AND EQUIPMENT

	S$ Unaudited
Net carrying amount at 1 July 2017	611,236
Additions	65,094
Written off	(3,355)
Depreciation	(113,337)
Exchange realignment	(8,742)
Net carrying amount at 31 December 2017	550,896
Net carrying amount at 1 July 2016	515,477
Additions	306,393
Depreciation	(96,076)
Exchange realignment	7,308
Net carrying amount at 31 December 2016	733,102

15. TRADE AND OTHER RECEIVABLES

	31 December 2017 S$ Unaudited	30 June 2017 S$ Audited
Trade receivables (non-current):		
Retention sum receivables	2,472,189	2,470,373
Trade receivables (current):		
Third parties	22,914,116	16,692,098
Retention sum receivables	2,730,752	2,929,075
Bills receivables	3,493,042	4,172,555
	29,137,910	23,793,728
Other receivables (current):		
Advances to staff	62,000	68,500
Deposits	144,137	118,899
Others	450,176	12,413,139
	656,313	12,600,538
Total trade receivables, deposits and other receivables (current)	29,794,223	36,394,266

15. TRADE AND OTHER RECEIVABLES *(Continued)*

Retention sum receivables refer to retention sum which will be partially billed upon the practical completion of the Group's projects, and the balance shall be billed upon the final completion of the Group's projects. Retention sum receivables are non-interest bearing and on terms based on the respective contract's retention period.

Advances to staff are unsecured and non-interest bearing.

Trade receivables (excluding retention sum receivables) are non-interest bearing and are generally on terms of 30 to 90 days.

An aging analysis of the trade receivables (excluding retention sum receivables) as at the end of the reporting periods, based on the invoice date, are as follows:

	31 December 2017 S$ Unaudited	30 June 2017 S$ Audited
Less than 30 days	**11,238,931**	1,049,476
31 to 60 days	**1,586**	8,337,172
61 to 90 days	**–**	5,466,983
91 to 180 days	**–**	1,819,421
More than 180 days	**11,673,599**	19,046
	22,914,116	16,692,098

16. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK IN PROGRESS

	31 December 2017 S$ Unaudited	30 June 2017 S$ Audited
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	**88,470,495**	90,372,813
Less: Progress billings	**(86,760,137)**	(87,118,367)
	1,710,358	3,254,446
Presented as:		
Gross amount due from customers for contract work in progress	**1,710,358**	3,254,446

As at 31 December 2017 and 30 June 2017, there were no advances received from customers for contract work in progress.

17. INVENTORIES

	31 December 2017 S$ Unaudited	30 June 2017 S$ Audited
Raw materials	**17,409**	17,704
Finished goods	**10,016,012**	–
	10,033,421	17,704

18. PREPAYMENTS

	31 December 2017 S$ Unaudited	30 June 2017 S$ Audited
Prepayments (non-current):		
Prepayments for acquisition of properties *(Note)*	**1,768,878**	1,768,878
Prepayments (current)	**2,931,037**	34,288
Total prepayments	**4,699,915**	1,803,166

Note: At 31 December 2017, included in the prepayment is an amount of S$1,768,878 (30 June 2017: S$1,768,878) for acquisition of properties in Taiwan. The prepayment was subsequently refunded to the Group on termination of the provisional agreement for the acquisition of the properties.

19. HELD-FOR-TRADING INVESTMENTS

	31 December 2017 S$ Unaudited	30 June 2017 S$ Audited
Listed securities held-for-trading, at fair value:		
Equity securities listed in Hong Kong	**5,433,724**	9,245,609

The above equity investments at 31 December 2017 and 30 June 2017 were classified as held-for-trading investments and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

19. HELD-FOR-TRADING INVESTMENTS *(Continued)*

Stock code	Company name	Percentage of shareholding as at 31 December 2017	Percentage of shareholding as at 30 June 2017	Market value as at 31 December 2017 S$	Approximate percentage to the Group's net assets as at 31 December 2017	Market value as at 30 June 2017 S$	Approximate percentage to the Group's net assets as at 30 June 2017	Change in fair value of held-for-trading investments for the periods ended 31 December 2017 S$	Change in fair value of held-for-trading investments for the periods ended 31 December 2016 S$
164	China Baoli Technologies Holdings Limited	0.072%	0.072%	506,892	0.73%	828,047	1.27%	(297,528)	–
197	Heng Tai Consumables Group Limited	–	0.555%	–	–	601,419	0.92%	272,570	–
804	Pinestone Capital Limited	0.843%	0.741%	686,976	0.98%	1,867,228	2.87%	(1,218,749)	(3,834,246)
8102	Li Bao Ge Group Limited	0.104%	0.229%	59,634	0.09%	2,654,379	4.08%	(2,371,997)	287,693
8423	Chi Ho Development Holdings Limited	1.863%	1.863%	4,180,222	5.98%	3,294,536	5.07%	1,006,306	–
				5,433,724	7.78%	9,245,609	14.21%	(2,609,398)	(3,546,553)

The market value of the Group's listed equity investments as at the date of approval of these financial statements was approximately S$4,980,000.

20. TRADE AND OTHER PAYABLES

	31 December 2017 S$ Unaudited	30 June 2017 S$ Audited
Trade and other payables (non-current):		
Retention sum payables	44,588	44,168
Trade payables:		
Third parties	1,078,141	2,992,211
Retention sum payables	534,230	529,202
	1,612,371	3,521,413
Deposit received	1,988,417	–
Accruals for project costs	8,490,295	10,536,103
Other payables:		
Promissory notes payable *(Note 23(b))*	5,816,318	6,022,421
Accrued liabilities	501,122	626,652
GST payable	102,992	201,850
Due to related parties *(Note 23(b))*	166,937	165,366
Others	1,334	73,018
	6,588,703	7,089,307
Total trade and other payables (current portion)	18,679,786	21,146,823

Accrued liabilities refer mainly to accrual for professional fees and employee benefits. These trade and other payables are non-interest bearing and trade payables are normally settled on terms of 30 to 90 days while other payables have an average term of 30 days.

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

	31 December 2017 S$ Unaudited	30 June 2017 S$ Audited
Trade payables:		
Less than 90 days	1,078,141	2,992,211
91-180 days	–	–
	1,078,141	2,992,211

21. SHARE CAPITAL AND SHARE PREMIUM

	31 December 2017 S$ Unaudited	30 June 2017 S$ Audited
Issued and fully paid:		
988,000,000 (30 June 2017: 836,000,000) ordinary shares of HK$0.01 each (30 June 2017: HK$0.01 each)	**1,665,702**	1,396,622

A summary of the Company's share capital and share premium is as follows:

	Number of shares in issue Unaudited	Issued share capital S$ Unaudited	Share premium account S$ Unaudited	Total S$ Unaudited
At 1 July 2017	836,000,000	1,396,622	82,336,712	83,733,334
Issue of shares *(Note)*	152,000,000	269,080	6,780,518	7,049,598
At 31 December 2017	988,000,000	1,665,702	89,117,230	90,782,932

Note: On 6 July 2017, the Company issued and allotted 152,000,000 new ordinary shares by way of placing at a placing price of HK$0.266 per share.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

At 31 December 2017 (Unaudited)

	Financial assets at fair value through profit of loss		
	Held-for-trading S$	Loans and receivables S$	Total S$
Held-for-trading investments	5,433,724	–	5,433,724
Trade receivables, deposits and other receivables	–	32,266,412	32,266,412
Cash and cash equivalents	–	17,739,112	17,739,112
	5,433,724	50,005,524	55,439,248

Financial liabilities

	Financial liabilities at amortised cost S$
Trade and other payables (excluding GST payable and accrued liabilities)	16,131,842

At 30 June 2017 (Audited)

Financial assets

	Financial assets at fair value through profit of loss		
	Held-for-trading S$	Loans and receivables S$	Total S$
Held-for-trading investments	9,245,609	–	9,245,609
Trade receivables, deposits and other receivables	–	38,864,639	38,864,639
Cash and cash equivalents	–	17,165,860	17,165,860
	9,245,609	56,030,499	65,276,108

Financial liabilities

	Financial liabilities at amortised cost S$
Trade and other payables (excluding GST payable and accrued liabilities)	20,362,489

23. RELATED PARTY TRANSACTIONS

(a) In addition to the related party information disclosed elsewhere in the financial statements, the following are the related party transactions entered into between the Group and its related parties that took place on terms and conditions agreed between the parties during the reporting periods:

	Notes	Six months ended 31 December 2017 S$ Unaudited	Six months ended 31 December 2016 S$ Unaudited
Sub-contractor fees charged by			
– joint ventures	*(i)*	**2,064,693**	2,367,782
Operating expenses recharged by			
– a related company	*(ii)*	**6,788**	6,909
Rental expense charged by			
– a related company	*(iii)*	**111,720**	111,720
Secretarial fees charged to			
– joint ventures	*(iv)*	**1,200**	1,200
– an associate	*(iv)*	**600**	600
Purchases/(sales) of raw materials from/(to)			
– joint ventures	*(v)*	**(2,560)**	7,200
– an associate	*(v)*	**–**	2,200

Notes:

(i) During the reporting period, Strike Electrical Engineering Pte. Ltd. ("**Strike Singapore**"), a wholly owned subsidiary of the Company in Singapore, had subcontracted some electrical engineering works to the joint ventures.

(ii) Operating expenses recharged by a related company mainly referred to the utilities charges for the office premises which was paid on behalf by Victrad Enterprise (Pte) Limited ("**Victrad**"), a company controlled by a key management personnel of the Group.

(iii) Rental expense was charged by Victrad with reference to the rates of other similar premises.

(iv) During the reporting period, Strike Singapore provided secretarial services to the joint ventures and an associate.

(v) During the reporting period, Strike Singapore purchased (sold) raw materials from (to) the joint ventures and an associate.

23. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties:

	31 December 2017 S$ Unaudited	30 June 2017 S$ Audited
Promissory notes payable to a substantial shareholder of the Company ("**Substantial Shareholder**")	5,816,318	6,022,421
Due to Substantial Shareholder	166,937	165,366
Total	5,983,255	6,187,787

Both of the Promissory notes payable and the amount due to Substantial Shareholder are unsecured, interest-free and have no fixed terms of repayment.

(c) Commitment with related parties

On 1 August 2013, Strike Singapore entered into a two-year agreement with Victrad for the lease of the office premises and the lease expired on 31 July 2015. The lease was subsequently extended with the same rent, terms and conditions for 12 months to 31 July 2016 and 31 July 2017, and thereafter 11 months to 30 June 2018, which is in line with the Company's financial year end.

On 1 October 2015, Strike Singapore entered into a one-year agreement with Victrad for the lease of the workers dormitory units and the lease expired on 30 September 2016. The lease was subsequently extended with the same rent, terms and conditions for 12 months to 30 September 2017, and thereafter 9 months to 30 June 2018, which is in line with the Company's financial year end.

The amount of total rental expenses charged by Victrad during the year is included in Note 23(a)(iii) to the consolidated financial statements. The operating lease commitments in respect of the above leases with Victrad as at the reporting date, which fall due within one year, amounted to S$111,720 (30 June 2017: S$58,724).

23. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Compensation of key management personnel of the Group:

	Six months ended 31 December	
	2017	2016
	S$	S$
	Unaudited	Unaudited
Directors' fees	**251,849**	161,253
Salaries and bonuses	**487,156**	318,600
Pension scheme contributions	**34,440**	31,573
	773,445	511,426
Related parties		
Remuneration paid to close family members of key management personnel	**2,660**	4,330

24. CONTINGENT LIABILITIES

At as the end of the reporting period, the contingent liabilities not provided for in the financial statements were as follows:

	31 December 2017	30 June 2017
	S$	S$
	Unaudited	Audited
Guarantees:		
Security bonds to the Singapore Government in relation to foreign workers	**540,000**	615,000

As required by the Singapore Government for each foreign worker hired, companies must submit a security bond of S$5,000 to the Controller of Work Passes. During the reporting periods, the Group has hired certain foreign workers and has arranged for an insurance company to provide insurance guarantees with the Singapore Government. The Directors believe that no foreign workers of the Group have breached the relevant regulations during the reporting periods. Accordingly, the Group has not provided for any provision in relation to such law.

25. EVENT AFTER THE REPORTING PERIOD

On 12 January 2018, a deed of termination was entered into between the Group and the vendor of the properties for the termination of the provisional agreement for the acquisition of the properties in Taiwan. The deposit in the amount of HK$10,000,000 (equivalent to S$1,768,878) paid for the acquisition of the properties had been fully refunded to the Group. Details of this transaction were set out in the Company's announcements dated 16 June 2017, 27 September 2017 and 12 January 2018.

26. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved and authorised for issue by the Board on 12 February 2018.

Corporate Governance and Other Information

CORPORATE GOVERNANCE PRACTICES

Kingbo Strike Limited (the "**Company**", together with its subsidiaries, the "**Group**") is committed to establish and maintain high standard of corporate governance. The Company believes that good corporate governance system provides a sustainable and solid foundation for the Company to manage business risks, enhance transparency, advance accountability and maximise shareholders' interests.

The Company has applied the principles of Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and complied with all applicable code provisions of the CG Code throughout the six months ended 31 December 2017, save and except for the deviations from code provisions A.2.1 and A.6.7.

Code provision A.2.1

Code provision A.2.1 of the CG Code stated that the roles of chairman and managing director should be separate and should not be performed by the same individual. On 13 February 2017, Mr. Yeo Jiew Yew ("**Mr. Yeo**") retired and did not offer himself for re-election as an executive Director and also ceased to be the managing director (the "**Managing Director**") of the Group. As the Company did not appoint any person to replace Mr. Yeo as the Managing Director, this deviates from code provision A.2.1 of the CG Code.

The chairman of the board (the "**Board**") of directors of the Company, Mr. Liu Yancheng is responsible for the general operations of the Board and the overall strategy of the Group whereby the ex-Managing Director, Mr. Yeo, who remains as the director of Strike Singapore continues to be responsible for the overall management, strategic planning and business development of the Group's business operations in Singapore. The roles and functions of Mr. Yeo for the Group thereby has not changed subsequent to his retirement as the Managing Director. The Board therefore considers that this structure would not impair the balance of power and authority between the directors and the management of the Group.

The Board understands the importance of complying with the code provision A.2.1 of the CG Code and will continue to consider the feasibility of compliance. If compliance is determined, appropriate persons will be nominated to take up the different roles of the Chairman and the Managing Director.

Code provision A.6.7

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Li Jin, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 20 October 2017 due to his other business engagements.

During the six months ended 31 December 2017 and up to the date of this report, the following change took place in the composition of the Board:

- Mr. Yao Runxiong was appointed as the executive Director of the Company with effect from 25 October 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code during the six months ended 31 December 2017.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATE CORPORATION

As at 31 December 2017, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive have taken or deemed to have taken under such provisions of the SFO); (ii) recorded in the register kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long Positions in Shares and Underlying Shares of the Company

Director	Capacity/Nature	Number of shares held/ interested in	Percentage of interest in the Company
Mr. Liu Yancheng	Beneficial owner	7,600,000	0.77%
	Interest of spouse *(Note 1)*	5,000,000	0.51%
Mr. Yao Runxiong	Beneficial owner	3,980,000	0.40%
	Interest of spouse *(Note 2)*	18,630,000	1.89%
Mr. Liu Xinsheng	Beneficial owner	7,600,000	0.77%
Mr. Peng Rongwu	Beneficial owner	23,515,000	2.38%
Ms. Zhang Juanying *(Note 1)*	Beneficial owner	5,000,000	0.51%
Ms. Zhuang Yanzhu *(Note 2)*	Beneficial owner	18,630,000	1.89%

Notes:

1. Ms. Zhang Juanying is the spouse of Mr. Liu Yancheng, who, therefore, is deemed, or taken to be, interested in the 5,000,000 shares of the Company personally and beneficially held by Ms. Zhang Juanying for the purposes of the SFO.

2. Ms. Zhuang Yanzhu is the spouse of Mr. Yao Runxiong, who, therefore, is deemed, or to be taken to be, interested in 18,630,000 shares of the Company personally and beneficially held by Ms. Zhuang Yanzhu for the purpose of the SFO.

Save as disclosed above, as at 31 December 2017, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

A new share option scheme was adopted by the Company following the resolution passed at the annual general meeting of the Company held on 20 October 2017. The main purpose of the scheme is to provide incentives and rewards to the eligible participants including full time or part time employees of the Group (including any directors); and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group.

There were no share options granted under the scheme since its adoption.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the above "**SHARE OPTION SCHEME**", at no time during the six months ended 31 December 2017 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2017, the following persons or entities, other than a Director or chief executive of the Company, had or were deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long Positions in Shares and Underlying Shares of the Company

Substantial shareholders	Capacity	Number of shares/ underlying shares held	Percentage of shares of the Company in issue
Zhang Jie	Beneficial owner	79,850,000	8.08%

Save as disclosed above, as at 31 December 2017, the Company has not been notified by any person or entity who had or was deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of SFO.

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

During the six months ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee was established on 9 December 2013 with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. The Audit Committee comprises of four non-executive Directors, amongst which three are independent. They are namely Mr. Leung Po Hon, Mr. Li Jin, Dr. Luo Xiaodong and Mr. Tam Tak Wah. Mr Leung Po Hon is the chairman of the Audit Committee.

The Audit Committee has reviewed with senior management the accounting principles and practices adopted by the Group and also discussed the financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Company for the six months ended 31 December 2017.

By Order of the Board
Kingbo Strike Limited
Liu Yancheng
Chairman

Hong Kong, 12 February 2018