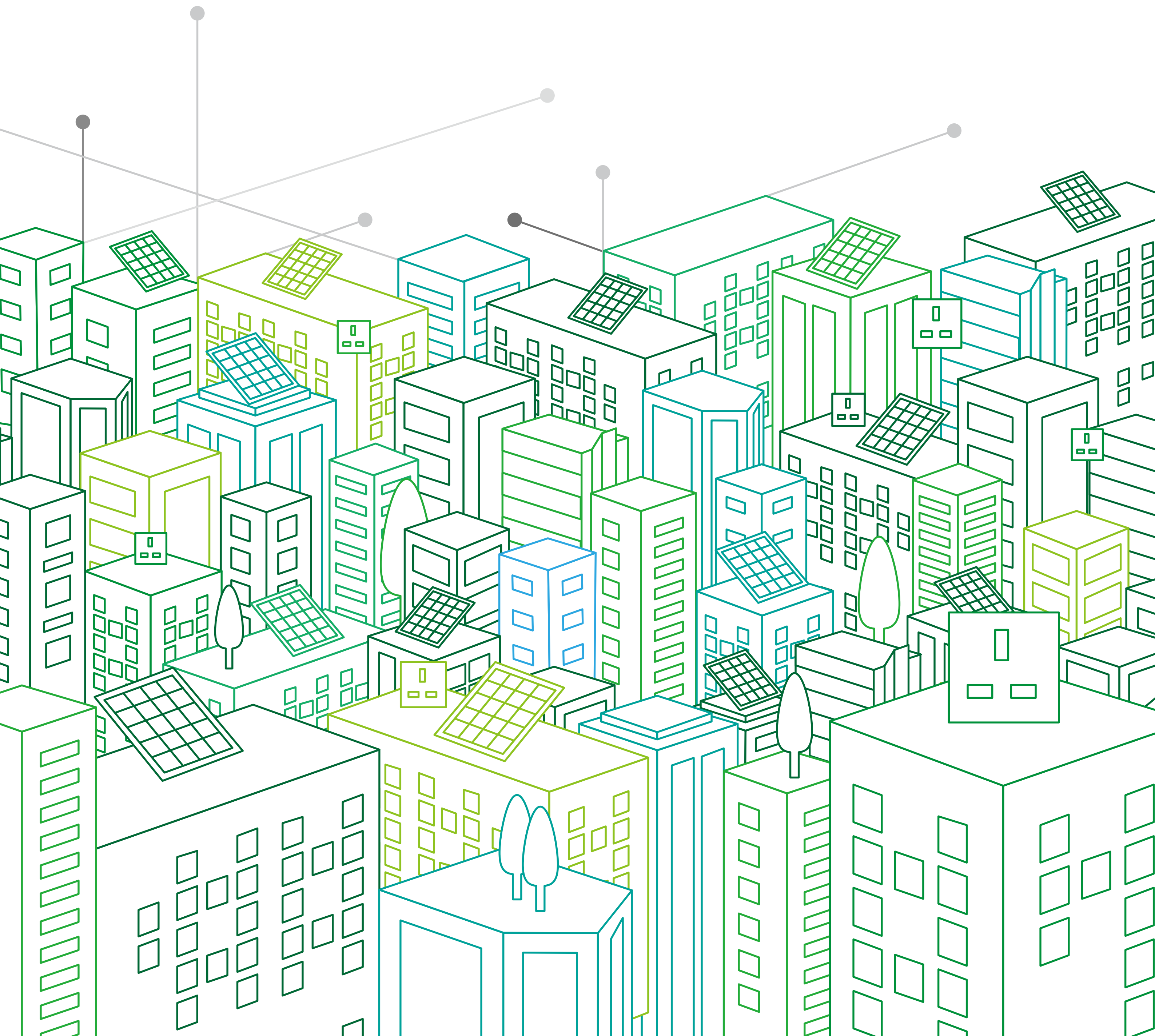
KINGBO STRIKE LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1421

INTERIM REPORT 2016 / 2017



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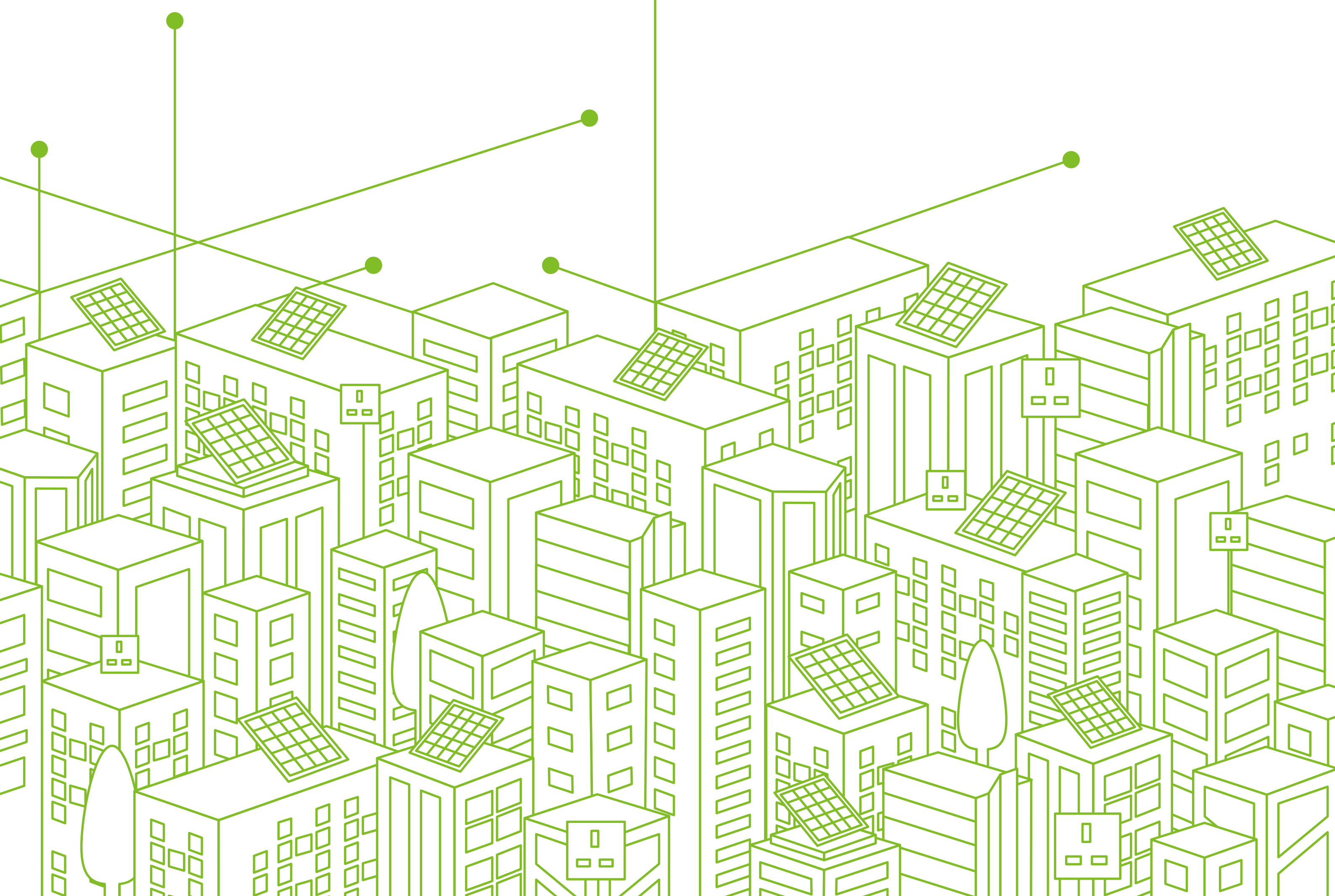

Corporate Information

DIRECTORS

Executive Directors

Mr. Peng Rongwu *(Chairman)*
Mr. Liu Yancheng (Appointed on 5 January 2017)
Mr. Wong Kee Chung
Mr. Yeo Jiew Yew (Retired on 13 February 2017)

Non-executive Director

Mr. Tam Tak Wah

Independent Non-executive Directors

Mr. Lam Kwan Yau Gilbert
Mr. Leung Po Hon
Dr. Luo Xiaodong (Appointed on 5 January 2017)
Mr. Ng Wai Hung

AUDIT COMMITTEE

Mr. Leung Po Hon *(Chairman)*
Mr. Lam Kwan Yau Gilbert
Mr. Ng Wai Hung
Mr. Tam Tak Wah

NOMINATION COMMITTEE

Mr. Peng Rongwu *(Chairman)*
Mr. Lam Kwan Yau Gilbert
Mr. Leung Po Hon
Mr. Ng Wai Hung

REMUNERATION COMMITTEE

Mr. Leung Po Hon *(Chairman)*
Mr. Lam Kwan Yau Gilbert
Mr. Ng Wai Hung
Mr. Tam Tak Wah

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, 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
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO 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

Unit 4408, 44/F, COSCO Tower
183 Queen's 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. Peng Rongwu
Mr. Li Chi Chung, Solicitor, Hong Kong

WEBSITE OF THE COMPANY

www.kingbostrike.com

Management Discussion and Analysis

BUSINESS REVIEW

The first half of the financial year continued to be filled with challenges. As the operation of the new solar business segment is still at its early stage, it has not yet contributed to the revenue of the Group for the first half of the financial year. Revenue of the Group continued to be driven by the provision of electrical engineering services in Singapore. During the six months ended 31 December 2016, Kingbo Strike Limited (the "**Company**", together with its subsidiaries, the "**Group**") recorded an increase of 6.7% in turnover, which was mainly attributable to higher percentage of work done performed in the larger scale projects compared to that of the same period of last financial year, resulted in slight increase in revenue. As at 31 December 2016, the value of outstanding contracts to be completed was S$29,224,000 (30 June 2016: S$40,464,200). All the 9 contracts on hand are public residential projects.

Information on Kahuer Group

As at 31 December 2016, the transfer of the entire registered capital of 青島啟光新能源發電有限公司 (Qingdao Qiguang New Energy Electricity Company Limited*) ("**Qingdao Qiguang**") and 昌樂中興開合光伏發電有限公司 (Chengle Zhongxing Photovoltaic Energy Company Limited*) ("**Chengle Zhongxing**") to 天津開合光伏能源科技有限公司 (Tianjin Kaihe Photovoltaic Energy Technology Company Limited*) ("**Tianjin Kaihe**") (the "**Transfer**") is yet to complete and each of Qingdao Qiguang and Chengle Zhongxing is not a company within the group of companies consisting of Kahuer Holding Co., Limited and its subsidiaries (the "**Kahuer Group**") and not consolidated to the financial statements of the Company for the six months ended 31 December 2016. It is due to the reason that the entire equity interests of Qingdao Qiguang and 70% equity interests of Changle Zhongxing are charged (the "**Charge**") to secure a loan granted to the sole shareholder of Qingdao Qiguang and Qingdao Qiguang and Changle Zhongxing can only be transferred to Kahuer Group after release of the Charge.

A manager in finance department of Kahuer Group is currently assisting the Company to control Qingdao Qiguang and Changle Zhongxing. She has the right to access to bank accounts of Qingdao Qiguang and Changle Zhongxing and control the use of financial chop and legal represenative chop of Qingdao Qiguang and Changle Zhongxing. She will report monthly to the Company the financial position of Qingdao Qiguang and Changle Zhongxing. Upon request, she will also provide additional information of Qingdao Qiguang and Changle Zhongxing to the Company from time to time. The management will also visit Qingdao and Changle in timely manner to update the status of Qingdao Qiguang and Changle Zhongxing.

On 27 November 2016, the parties to the agreement dated 11 May 2016 in relation to the acquisition of Kahuer Group mutually agreed to extend another three months for the Transfer to take place on or before 27 February 2017. The extension for a further three months is made after good faith negotiation by the purchaser with Eternal Green Group Limited ("**Eternal Green**") and it is expected that Eternal Green will assist the sole shareholder of Qingdao Qiguang to arrange for sufficient fund to release the Charge within the three months extension period.

The Transfer was not completed before the deadline on 27 February 2017. It was due to the reason that, prior to the deadline, Eternal Green has identified potential buyer to acquire the solar power station projects owned by Chengle Zhongxing and Qingdao Qiguang and has proposed to the Group the possibility of transfer of Chengle Zhongxing and Qingdao Qiguang to the potential buyer, instead of completion of the Transfer according to the terms of the sales and purchase agreement signed on 11 May 2016 regarding acquisition of Kahuer Group (the "**Proposal**"). Under the Proposal, the potential buyer will arrange with the sole shareholder of Qingdao Qiguang for the release of the Charge and the Vendor would procure the transfer of Chengle Zhongxing and Qingdao Qiguang to the potential buyer and would direct the potential buyer to pay the entire consideration to a company within the Kahuer Group. Such transfer (including the terms of the transfer) shall be conducted and completed in such manner as the Group may approve. As the sale of solar power station is in the ordinary and usual course of business of Kahuer Group and the Company would sell the solar power station projects

* *for identification purpose only*

of Kahuer Group if suitable opportunities arise, the Board considers that the Proposal is in the interest of the Company and its shareholders as a whole. The Company is in the course of seeking advice from professional parties in relation to the Proposal. It is expected that the Group and Eternal Green will agree on the terms of the Proposal before the end of March 2017. If the Proposal is materialised, it will be deemed as disposals on the part of the Company. Further announcement will be made by the Company in the event that any formal agreement has been signed between the parties with respect to the Proposal.

As at 31 December 2016, Kahuer Group has 19 solar power station projects, amounting to approximately 99 Megawatt, on hand. The major solar power station projects are situated in Jiangsu, Liaoning and Shandong Provinces, China. The projects in Zhenjiang, Jiangsu relating to the building and installation of rooftop distributed solar photovoltaic power system for certain industrial customers are in their midway and they are expected to be completed and connected to the national electricity grid in April 2017. The construction of photovoltaic power station for a rural co-operative program in Xuyi, Jiangsu commenced in August 2016 and it is expected to be completed by second quarter of 2017. The projects in Liaoning and Shandong Provinces are expected to be completed by second quarter of 2017.

The Directors noted that the construction of solar power station projects is expected to complete from second quarter of 2017. After the recognition of sales by the Kahuer Group, it is expected that the Company will be able to provide the relevant information or audit evidence to the auditors to address the disclaimer opinion issued by auditors for the financial statement for the year ended 30 June 2016.

The Company is an investment holding company. The Group is principally engaged in the provision of electrical engineering services in Singapore and the construction, operation and sale of solar power station projects in the People's Republic of China (the "**PRC**").

FINANCIAL REVIEW

Revenue

For the six months ended 31 December 2016, the business in Singapore remained the principle source of revenue of the Group. The Group's unaudited consolidated revenue increased by 6.7% to S$11,211,938 (2015: S$10,503,369) as compared to the same period of last financial year. During the period, revenue generated from electrical engineering works for public residential projects comprised approximately 100% (2015: approximately 99.4%) of the Group's total revenue.

Profit

During the period under review, gross profit of the Group dropped by 17.5% to S$1,760,599 (2015: S$2,134,623) as compared to the same period of last financial year. Gross profit margin for the period decreased to 15.7% (2015: 20.3%) for higher cost of sales for projects undertaken. Gross profit margin of the Group may vary from individual various projects depending on their scale, complexity, specifications, timing and capacity to manage. Loss attributable to owners of the Company is S$86,287 and basis loss per share attributable to ordinary equity holders of the parents is S0.01 cents for the period was recorded compared to profit attributable to owners of the Company of S$3,029,780 and basis earnings per share attributable to ordinary equity holders of the parents of S0.47 cents for the same period of last financial year. The loss was primarily attributable to (a) an increase of 79.2% in administrative expenses; (b) a decrease of 31.6% in share of results of joint ventures; (c) fair value loss on held-for-trading investments; and (d) fair value gain on contingent consideration receivables.

Cost of Sales

As a result of the increase in labour and material costs for the period under review, cost of sales increased by 12.9% to S$9,451,339 (2015: S$8,368,746) when compared with that of 2015.

Other Income and (Losses) Gains

During the period, other income and losses amounted to S$1,240,230 (2015: other income and gains of S$790,930) was primarily derived from combination of decrease in gain of unrealised foreign exchange differences, fair value loss on held-for-trading investments and fair value gain on contingent consideration receivables.

Administrative Expenses

Administrative expenses for the six months ended 31 December 2016 increased by 79.2% to S$1,372,755 (2015: S$765,851) which was attributable to the increase in salaries and legal and professional fees.

Other Expenses

Impacted primarily by the acquisition of Kahuer Group, other expenses increased by 87.5% to S$238,455 (2015: S$127,155) during the period.

Finance costs

Finance costs for the six months ended 31 December 2016 increased to S$6,011 (2015: S$3,295) as more bank charges were incurred in daily activities. The impact of such finance cost is insignificant.

Share of Results of Joint Ventures

The Group's share of results of joint ventures decreased by 31.6% to S$820,017 (2015: S$1,199,338) during the period under review. The decrease in results contribution from joint ventures was mainly attributable to lower work done for nearly completing projects and newly secured projects commenced works closed to the end of the reporting period.

Share of Results of an Associate

Results of an associate remains a loss position of S$39,476 (2015: loss of S$12,184) mainly due to no new projects was secured during the reporting period and the on-going projects are small scale projects with less work done.

Taxation

There are income tax credits for the six months ended 31 December 2016 as there is reversal of tax expense due to drop of price of the share classified as held-for-trading investments. The effective tax rate applicable to the profit of the Group for the six months ended 31 December 2015 was 5.8%.

The deferred tax liabilities increased by 2.0% to S$811,580 as there was more depreciation allowance in excess of related depreciation.

Liquidity, Financial Resources and Gearing

As at 31 December 2016, net current assets of the Group was S$41,047,186 (30 June 2016: S$29,533,199). Besides, the Group maintained cash and cash equivalents of S$15,432,929 (30 June 2016: S$12,672,201), of which approximately 37.4% was in Hong Kong dollars, 55.7% was in Singapore dollars, 6.6% was in RMB and 0.3% was in other currencies (30 June 2016: 64.4% was in Hong Kong dollars and 29.4% was in Singapore dollars, 5.8% was in RMB and 0.4% was in other currencies).

As at 31 December 2016, the Group had interest-bearing borrowings of S$17,723,472 (30 June 2016: S$6,820,423). These borrowing are interest bearing at an effective interest rate of 11.0% per annum for a term of 2 years. The Group's gearing ratio was 24.6% (30 June 2016: 9.1%), 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 and interest-bearing borrowings less cash and cash equivalents.

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

The Group adopted conservative treasury policies in cash and financial management. Cash was generally placed in short-term deposits. Source of fund for operations mainly derived from cash inflows generated from operating activities. The liquidity and financing requirements of the Group were reviewed regularly.

The Group's business mainly operates in Singapore and PRC. Accordingly, its revenue and transactions arising from its operations were generally settled in Singapore dollars and Renminbi whereas the bank balance of the Company was principally denominated in Hong Kong dollars and Singapore dollars. As a result, fluctuations in the value of Hong Kong 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 2016, 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 2016 and there was no hedging instruments outstanding as at 31 December 2016. 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

During the six months ended 31 December 2016, 開合新能源(鎮江)有限公司 (Kaihe New Energy (Zhenjiang) Company Limited*) ("**Kaihe New Energy**"), a non-wholly owned subsidiary of the Company obtained an interest-bearing borrowings in the amount of RMB50,000,000 (equivalent to approximately S$10,425,572) from an independent third party. The outstanding interest-bearing borrowings was RMB85,000,000 (equivalent to approximately S$17,723,472) as at 31 December 2016. This new interest-bearing borrowing was secured by way of a pledge over (i) 65% shareholding interests in 鎮江開合光伏發電有限公司 (Zhenjiang Kaihe Photovoltaic Power Company Limited*) ("**Zhenjiang Kaihe**"), which is a wholly owned subsidiary of Kaihe New Energy established in PRC and is principally engaged in the construction and operation of solar power station projects; and (ii) the raw materials to be purchased by the Group according to the sales and purchase agreement entered into by the Group with its supplier. As at 31 December 2016, 100% (30 June 2016: 35%) shareholding interests in Zhenjiang Kaihe has been pledged. Besides, 盱眙盛能新能源有限公司 (Xuyi Shengneng New Energy Company Limited*) ("**Xuyi Shengneng**") committed to purchase raw materials from a supplier in the amount of RMB4,500,000 (equivalent to approximately S$938,301) during the year ended 30 June 2016. The purchase was secured by way of a pledge over 45% (30 June 2016: 45%) share interest in Xuyi Shengneng, which is a non-wholly owned subsidiary of the Company established in PRC and is principally engaged in the construction and operation of solar power station projects.

* The unofficial English translations are for identification purposes only.

Capital Expenditure and Commitments

During the six months ended 31 December 2016, the Group had capital expenditure of S$306,393 (2015: S$102,074).

The Group had no capital commitments at 31 December 2016 and 30 June 2016.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Associated Companies, and Future Plans for Material Investments or Capital Assets

Save for those disclosed in notes 1 and 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 25 to the condensed consolidated financial statements of this Interim Report, the Group had no other contingent liabilities as at 31 December 2016.

Employment and Remuneration Policy

As at 31 December 2016, the total number of employees of the Group was 183 (30 June 2016: 193). During the period under review, employees costs (including Directors' emoluments) amounted to S$2,583,901 (2015: S$1,979,174). 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.

Outlook

We shall remain prudent in the present economy and implement stringent cost control policy and advance our supply chain management for the sustainable development of the engineering services business in Singapore. In the meantime, given the policy of the PRC government on renewable energy, we remain cautiously optimistic on the solar power business in PRC. We aim to deliver sustainable long-term value for our shareholders and other stakeholders.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

The board (the "**Board**") of directors (the "**Directors**") of Kingbo Strike Limited (the "**Company**") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 31 December 2016 together with comparative figures for the six months ended 31 December 2015 as follows:

	Notes	Six months ended 31 December 2016 S$ Unaudited	2015 S$ Unaudited
REVENUE	*6*	**11,211,938**	10,503,369
Cost of sales		**(9,451,339)**	(8,368,746)
Gross profit		**1,760,599**	2,134,623
Other income and (losses) gains	*6*	**(1,240,230)**	790,930
Administrative expenses		**(1,372,755)**	(765,851)
Other expenses		**(238,455)**	(127,155)
Finance costs	*7*	**(6,011)**	(3,295)
Share of results of joint ventures		**820,017**	1,199,338
Share of results of an associate		**(39,476)**	(12,184)
(LOSS) PROFIT BEFORE TAX	*8*	**(316,311)**	3,216,406
Income tax credit (expense)	*9*	**144,731**	(186,626)
(LOSS) PROFIT FOR THE PERIOD		**(171,580)**	3,029,780
ATTRIBUTABLE TO			
Owners of the parent		**(86,287)**	3,029,780
Non-controlling interests		**(85,293)**	–
		(171,580)	3,029,780
(LOSS) PROFIT FOR THE PERIOD		**(171,580)**	3,029,780
Exchange differences on translation of foreign operations		**2,732,771**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,561,191**	3,029,780
ATTRIBUTABLE TO			
Owners of the parent		**2,631,544**	3,029,780
Non-controlling interests		**(70,353)**	–
		2,561,191	3,029,780
(Loss) earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (S cents)	*10*	**(0.01)**	0.47

Condensed Consolidated Statement of Financial Position

	Notes	31 December 2016 S$ Unaudited	30 June 2016 S$ Audited
NON-CURRENT ASSETS			
Goodwill	12	59,049,188	57,354,883
Prepayments for acquisition of subsidiaries	18	5,011,928	4,665,245
Interests in joint ventures		3,756,354	4,596,337
Interests in an associate		409,075	448,551
Plant and equipment	13	733,102	515,477
Trade and other receivables	14	3,044,436	1,939,675
Total non-current assets		72,004,083	69,520,168
CURRENT ASSETS			
Gross amount due from customers for contract work in progress	15	2,656,489	2,534,536
Inventories	16	12,441,913	4,111,592
Trade receivables, deposits and other receivables	14	3,347,892	4,056,613
Profit guarantee receivable	17	11,351,363	8,949,777
Prepayments	18	13,258,443	6,793,574
Held-for-trading investments	19	3,404,907	5,756,891
Cash and cash equivalents		15,432,929	12,672,201
Total current assets		61,893,936	44,875,184
CURRENT LIABILITIES			
Income tax payable		285,938	570,227
Trade and other payables	20	20,560,812	14,771,758
Total current liabilities		20,846,750	15,341,985
NET CURRENT ASSETS		41,047,186	29,533,199
TOTAL ASSETS LESS CURRENT LIABILITIES		113,051,269	99,053,367
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	21	17,723,472	6,820,423
Deferred tax liabilities		811,580	795,315
Total non-current liabilities		18,535,052	7,615,738
Net assets		94,516,217	91,437,629

Condensed Consolidated Statement of Financial Position

	Notes	31 December 2016 S$ Unaudited	30 June 2016 S$ Audited
EQUITY			
Share capital	22	1,261,436	1,261,436
Reserves		91,771,119	89,139,575
		93,032,555	90,401,011
Non-controlling interests		1,483,662	1,036,618
Total equity		94,516,217	91,437,629

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent							
	Share capital (note 22) S$ Unaudited	Share premium S$ Unaudited	Exchange fluctuation reserve S$ Unaudited	Retained profits S$ Unaudited	Merger reserves S$ Unaudited	Total S$ Unaudited	Non-controlling interests S$ Unaudited	Total Equity S$ Unaudited
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 contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**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**
At 1 July 2015	1,048,880	12,366,974	–	11,911,555	(2,239,647)	23,087,762	–	23,087,762
Profit and total comprehensive income for the period	–	–	–	3,029,780	–	3,029,780	–	3,029,780
At 31 December 2015	1,048,880	12,366,974	–	14,941,335	(2,239,647)	26,117,542	–	26,117,542

Condensed Consolidated Statement of Cash Flows

	Six months ended 31 December	
	2016	2015
	S$	S$
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(9,352,929)	(10,047)
Interest received	11,634	1,533
Overseas tax paid	(123,293)	(186,004)
Net cash flows used in operating activities	(9,464,588)	(194,518)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received from joint ventures	1,660,000	150,000
Purchase of held-for-trading investments	(891,700)	–
Capital contribution from non-controlling interests	517,397	–
Purchase of items of plant and equipment	(306,393)	(102,074)
Proceeds on disposal of plant and equipment	1,711	2,415
Net cash flows generated from investing activities	981,015	50,341
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from interest-bearing borrowings	10,267,299	–
Net cash flows generated from financing activity	10,267,299	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,783,726	(144,177)
Effects of currency translation on cash and cash equivalents	977,002	770,701
Cash and cash equivalents at beginning of period	12,672,201	17,628,754
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15,432,929	18,255,278
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at banks and on hand	15,432,929	18,255,278

Notes to the Condensed 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 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 of Hong Kong on 5 September 2013 and the principal place of business in Hong Kong is registered at Unit 4408, 44th Floor, COSCO Tower, 183 Queen's 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 and the construction, operation and sale of solar power station projects in the People's Republic of China (the "**PRC**").

Information about subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2016 are as follows:

Name	Place of incorporation and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company as at 31 December 2016		30 June 2016		Principal activities
			Direct	Indirect	Direct	Indirect	
Strike Electrical Engineering Pte Ltd ("**Strike Singapore**")	Singapore	S$1,510,000	100	–	100	–	Electrical works and general building engineering services
Triple Treasure Global Limited	British Virgin Islands ("**BVI**")	US$1	100	–	100	–	Investment holding
Capital Asia Investment 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 ("**Kahuer**")[1]	BVI	US$50,000	–	60	–	60	Investment holding
Loydston International Limited[1]	Hong Kong	HK$500,000	–	60	–	60	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company as at 31 December 2016 Direct	31 December 2016 Indirect	30 June 2016 Direct	30 June 2016 Indirect	Principal activities
開合新能源(鎮江)有限公司 (Kaihe New Energy (Zhenjiang) Company Limited) ("**Kaihe New Energy**")[1,2,4]	PRC	RMB755,316	–	60	–	60	Construction, operation and sale of solar power station projects
開合新能源(盱眙)有限公司 (Kaihe New Energy (Xuyi) Company Limited) ("**Kaihe New Energy (Xuyi)**")[2,4,7]	PRC	RMB6,882,000	–	60	–	–	Construction, operation and sale of solar power station projects
鎮江開普光伏發電有限公司 (Zhenjiang Kaipu Photovoltaic Power Company Limited) ("**Zhenjiang Kaipu**")[1,3,4]	PRC	RMB10,000	–	60	–	60	Construction, operation and sale of solar power station projects
鎮江開能光伏發電有限公司 (Zhenjiang Kaineng Photovoltaic Power Company Limited) ("**Zhenjiang Kaineng**")[1,3,4]	PRC	RMB10,000	–	60	–	60	Construction, operation and sale of solar power station projects
鎮江開合光伏發電有限公司 (Zhenjiang Kaihe Photovoltaic Power Company Limited) ("**Zhenjiang Kaihe**")[1,3,4,5]	PRC	RMB10,000	–	60	–	60	Construction, operation and sale of solar power station projects

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company as at 31 December 2016 Direct	31 December 2016 Indirect	30 June 2016 Direct	30 June 2016 Indirect	Principal activities
天津開合光伏能源科技有限公司 (Tianjin Kaihe Photovoltaic Energy Technology Company Limited) ("**Tianjin Kaihe**")[1,3,4]	PRC	RMB1,000,000	–	60	–	60	Construction, operation and sale of solar power station projects
盱眙盛能新能源有限公司 (Xuyi Shengneng New Energy Company Limited) ("**Xuyi Shengneng**")[1,3,4,6]	PRC	RMB400,000	–	60	–	60	Construction, operation and sale of solar power station projects

1 Acquired during the business combination on 27 May 2016.
2 Registered as a wholly-foreign-owned enterprise under PRC law.
3 Registered as domestic limited liability companies under PRC law.
4 The unofficial English translations are for identification purposes only.
5 As at 31 December 2016, 100% (30 June 2016: 35%) shares of Zhenjiang Kaihe had been pledged for the interest-bearing borrowings of S$17,723,472 (30 June 2016: S$6,820,423).
6 As at 31 December 2016, 45% (30 June 2016: 45%) shares of Xuyi Shengneng had been pledged to the supplier, as further detailed in Note 24(b)(iii) to the financial statements.
7 Newly incorporated on 20 July 2016 as a non-wholly owned subsidiary of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 31 December 2016 have been prepared in accordance with International Accounting Standards ("**IASs**") 34 Interim Financial Reporting.

The unaudited condensed consolidated 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 2016.

They have been prepared under the historical cost convention. These financial statements are presented in Singapore dollars ("**S$**").

2. BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The unaudited condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the Interim Period. These interim financial statements of the subsidiaries used in the preparation of the unaudited condensed consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like 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 the International Accounting Standards Board ("**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 interim financial information:

	Effective date (annual periods beginning on or after)
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Lease	1 January 2019
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 7 Disclosure Initiative	1 January 2017
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

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 Group's 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 two reportable operating segments as follows:

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

(b) construction, operation and sale of solar power station projects ("**solar power business**").

Management considers the business from product type perspective. Management monitors the results of provision of electrical engineering services and construction, operation and sale of solar power station projects separately for the purpose of making decisions about resource allocation and performance assessment. Management was of the view that these two 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.

Notes to the Condensed Consolidated Financial Statements

5. SEGMENT INFORMATION *(Continued)*

Six months ended 31 December 2016

	Engineering services S$ Unaudited	Solar power 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)
Segment assets:	21,102,574	103,099,543	124,202,117
Corporate and other unallocated assets			9,695,902
Total assets			133,898,019
Segment liabilities:	8,685,363	30,351,617	39,036,980
Corporate and other unallocated liabilities			344,822
Total liabilities			39,381,802

5. SEGMENT INFORMATION *(Continued)*

Six months ended 31 December 2015

	Engineering services S$ Unaudited	Solar power business S$ Unaudited	Total S$ Unaudited
Segment revenue:			
Sales to external customers	10,503,369	–	10,503,369
Segment results:	3,216,406	–	3,216,406
Unallocated gains			–
Corporate and other unallocated expenses			–
Profit before tax			3,216,406

At 30 June 2016

	Engineering services S$ Audited	Solar power business S$ Audited	Total S$ Audited
Segment assets:	17,602,345	82,649,622	100,251,967
Corporate and other unallocated assets			14,143,385
Total assets			114,395,352
Segment liabilities:	7,120,956	15,239,137	22,360,093
Corporate and other unallocated liabilities			597,630
Total liabilities			22,957,723

Geographical information

(a) Revenue from external customers

	Six months ended 31 December 2016 S$ Unaudited	2015 S$ Unaudited
Revenue		
Singapore	**11,211,938**	10,503,369

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

5. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(b) Non-current assets

	31 December 2016 S$ Unaudited	30 June 2016 S$ Audited
Hong Kong	**381,406**	122,748
Singapore	**7,555,080**	7,377,292
Mainland China	**64,067,597**	62,020,128
	72,004,083	69,520,168

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

6. REVENUE AND OTHER INCOME AND (LOSSES) GAINS

Our Group's revenue represents an appropriate proportion of contract revenue of construction contracts; the net invoiced value of goods sold, after allowances for returns and trade discount during the respective reporting periods. Revenue and other income and (losses) gains recognised during the respective reporting periods are as follows:

	Six months ended 31 December	
	2016 S$ Unaudited	2015 S$ Unaudited
Revenue		
Contract revenue	**11,211,938**	10,503,369
Other income and (losses) gains		
Foreign exchange differences	**151,652**	770,701
Bank interest income	**11,634**	1,533
Incentives from the Singapore Government *(note a)*	**14,195**	14,481
Fair value loss on held-for-trading investments	**(3,546,553)**	–
Fair value gain on profit guarantee receivable	**2,125,331**	–
Gain on disposal of plant and equipment	**1,711**	2,415
Others	**1,800**	1,800
	(1,240,230)	790,930

Note:

(a) 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.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 December	
	2016	2015
	S$	S$
	Unaudited	Unaudited
Bank charges	**6,011**	3,295
Interest on interest-bearing borrowings	**810,090**	–
Total	**816,101**	3,295
Less: interest capitalised	**(810,090)**	–
	6,011	3,295

8. (LOSS) PROFIT BEFORE TAX

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

		Six months ended 31 December	
		2016	2015
		S$	S$
		Unaudited	Unaudited
(a)	Auditors' remuneration	**174,073**	78,560
	Depreciation of plant and equipment	**96,076**	46,793
	Gain on disposal of plant and equipment	**(1,711)**	(2,415)
	Loss on plant and equipment written-off	**688**	792
	Cost of services provided	**9,451,339**	8,368,746
	Minimum lease payments under operating leases	**272,713**	160,157
	Employee benefits *(note b)*	**2,583,901**	1,979,174
(b)	Employee benefits (including Directors' remuneration):		
	– Directors' fees	**161,253**	80,760
	– Salaries, wages and bonuses	**2,325,687**	1,810,868
	– Defined contribution retirement plans	**96,961**	87,546
		2,583,901	1,979,174
(c)	Fair value loss on held-for-trading investments	**3,546,553**	–
	Fair value gain on profit guarantee receivables	**(2,125,331)**	–

9. INCOME TAX (CREDIT) EXPENSE

	Six months ended 31 December	
	2016	2015
	S$	S$
	Unaudited	Unaudited
Current – Singapore		
– Charge for the period	**166,688**	159,416
– (Over)under-provision in respect of prior period	**(8,020)**	2,840
Current – Hong Kong		
– Over-provision in respect of prior period	**(319,664)**	–
Deferred	**16,265**	24,370
– Tax (credit) charge for the period	**(144,731)**	186,626

No Hong Kong profits tax has been provided (six months ended 31 December 2015: Nil) since no assessable profit arose in Hong Kong during the reporting periods.

During the six months ended 31 December 2016, the Company's profit is not subject to any tax in its country of incorporation, the Cayman Islands. Income tax expenses for the Group relate wholly to the profit of the subsidiary which was taxed at a statutory tax rate of 17% in Singapore.

10. BASIC AND DILUTED (LOSS) EARNINGS 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 2015: Nil) in issue during the period.

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

	Six months ended 31 December	
	2016	2015
	S$	S$
	Unaudited	Unaudited
Earnings		
(Loss) profit attributable to equity holders of the Company, used in the basic and diluted (loss) earnings per share calculation	**(86,287)**	3,029,780
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted (loss) earnings per share calculations	**760,000,000**	640,000,000
Basic and diluted (loss) earnings per share (S cents)	**(0.01)**	0.47

11. DIVIDEND

No dividend was declared for the Interim Period (six months ended 31 December 2015: Nil).

12. GOODWILL

	S$ Unaudited
Acquisition of subsidiaries at 27 May 2016	58,365,557
Exchange realignment	(1,010,674)
Cost and net carrying amount at 30 June 2016 and 1 July 2016	57,354,883
Exchange realignment	1,694,305
Cost and net carrying amount at 31 December 2016	59,049,188

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to construction, operation and sale of solar power station projects cash-generating unit for impairment testing.

The recoverable amount of the construction, operation and sale of solar power station projects cash-generating unit 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 discount rate applied to the cash flow projections is 28.19% (30 June 2016: 23.76%). The growth rate used to extrapolate the cash flows of the solar power industry beyond the five-year period is negative 5% (30 June 2016: negative 5%).

The carrying amount of goodwill allocated to cash-generating unit is as follows:

	Construction, operation and sale of solar power station projects	
	31 December 2016 S$ Unaudited	30 June 2016 S$ Audited
Carrying amount of goodwill	59,049,188	57,354,883

Assumptions were used in the value-in-use calculation of the construction, operation and sale of solar power station projects cash-generating unit for 31 December 2016 and 30 June 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Forecast revenue – The basis used to determine the value assigned to the forecast revenue is the forecast revenue from the construction, operation and sale of solar power station projects which the Group has signed certain framework agreements.

Budgeted cost of sales – The budgeted cost of sales have been determined based on management's expected procurement costs for the construction, operation and sale of solar power station projects.

Discount rate – The discount rate used is before tax and reflect specific risks relating to the unit.

13. PLANT AND EQUIPMENT

	S$ Unaudited
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
Net carrying amount at 1 July 2015	390,512
Additions	102,074
Written off	(792)
Depreciation	(46,793)
Net carrying amount at 31 December 2015	445,001

14. TRADE AND OTHER RECEIVABLES

	31 December 2016 S$ Unaudited	30 June 2016 S$ Audited
Trade receivables (non-current):		
Retention sum receivables	3,044,436	1,871,675
Other receivables (non-current):		
Advances to staff	–	68,000
Total trade and other receivables (non-current)	3,044,436	1,939,675
Trade receivables (current):		
Third parties	1,017,168	1,986,037
Retention sum receivables	1,102,042	1,835,712
	2,119,210	3,821,749
Other receivables (current):		
Advances to staff	316,732	87,257
Deposits	143,672	143,553
Due from a key management personnel *(Note 24(b)(ii))*	208,511	–
Others	559,767	4,054
	1,228,682	234,864
Total trade and other receivables (current)	3,347,892	4,056,613

14. 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. Non-current amounts have an average maturity of 1.5 years as at 30 June 2016.

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 2016 S$ Unaudited	30 June 2016 S$ Audited
Within 30 days	**998,122**	1,636,929
31 to 60 days	**–**	312,204
More than 61 days	**19,046**	36,904
	1,017,168	1,986,037

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

	31 December 2016 S$ Unaudited	30 June 2016 S$ Audited
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	**91,942,722**	79,993,858
Less: Progress billings	**(89,286,233)**	(77,459,322)
	2,656,489	2,534,536
Presented as:		
Gross amount due from customers for contract work in progress	**2,656,489**	2,534,536

As at 31 December 2016 and 30 June 2016, there were no advances received from customers for contract work in progress.

16. INVENTORIES

	31 December 2016 S$ Unaudited	30 June 2016 S$ Audited
Raw materials	23,009	30,920
Work in progress – construction of solar power station projects	12,418,904	4,080,672
	12,441,913	4,111,592

17. PROFIT GUARANTEE RECEIVABLE

	S$ Unaudited
Profit guarantee receivable recognised at acquisition date of 27 May 2016	9,592,654
Fair value loss on profit guarantee receivable	(642,877)
As at 30 June 2016 and 1 July 2016	8,949,777
Fair value gain on profit guarantee receivable	2,125,331
Exchange realignment	276,255
As at 31 December 2016	11,351,363

At 31 December 2016, the fair value of the profit guarantee receivable was determined by an independent professionally qualified appraiser, Peak Vision Appraisals Limited, at RMB54,440,000 (equivalent to S$11,351,363) (30 June 2016: RMB44,090,000 (equivalent to S$8,949,777)).

The valuer has considered the projected profit before tax and adopted Monte Carlo Simulation, which considers the probability weighted distribution of the possible outcomes and factors and the volatility of those outcomes, to derive the fair value of the profit guarantee receivable.

17. PROFIT GUARANTEE RECEIVABLE *(Continued)*

Set out below is a table showing the major inputs used in the valuation:

Valuation date	31 December 2016	30 June 2016
Volatility	64.46%	64.46%
Period (life of the profit guarantee) in year	0.41	1
Risk free rate	3.10%	2.34%
Discount rate *(note 1)*	3.10% and 18.58% *(note 2)*	2.34%

Note:

1. The profit guarantee receivable as at 30 June 2016 was discounted at risk free rate since all the expected payoff was fully secured by shares of the Company (consideration shares) and the promissory notes under escrow. However, as at 31 December 2016, the value of profit guarantee receivable increased, the total value of shares of the Company (consideration shares) and the promissory notes under escrow were insufficient to cover the whole amount of profit guarantee receivable, and therefore, part of profit guarantee receivable secured by shares of the Company (consideration shares) and the promissory notes under escrow were discounted at risk free rate, and the remaining part of profit guarantee receivable were discounted at a higher discount rate by reference to yield spread of non-investment grade bonds.

2. The discount rate of 18.58% was based on build up model by adding risk free rate of 3.10%, non-investment grade bonds spread of 12.48% and liquidity risk premium of 3%. The non-investment grade bonds spread was the spread reflecting credit risk and interest rate risk of comparable corporate bonds. The non-investment grade bonds spread adopted was the average spread of 8 comparable bonds, sourced from Bloomberg.

These are the key assumptions adopted by the valuer in performing the valuation:

(i) the valuer has assumed that the completion of the acquisition of Kahuer Group took place on 31 May 2016;

(ii) constant volatility is assumed;

(iii) constant interest rate is assumed;

(iv) it is assumed that the financial information of the Kahuer Group supplied to the valuer has been prepared in a manner which truly and accurately reflect the financial condition of the Kahuer Group as at the respective balance sheet dates; and

(v) in arriving at its opinion of value, the valuer has referred to the projections and business plans provided to the valuer and assumed that such projections were based on the assumptions reflecting the best available estimates, judgment and knowledge of the management of the Kahuer Group in relation to the proposed operations and are reasonable, reflecting market conditions and economic fundamentals.

The increase in the fair value of the profit guarantee receivable was mainly contributed by the decline in projected profit before tax of Kahuer Group from approximately RMB100,000,000 as at 30 June 2016 to approximately RMB76,000,000 as at 31 December 2016, which was caused by the delay in the construction of certain solar power station projects.

18. PREPAYMENTS

	31 December 2016 S$ Unaudited	30 June 2016 S$ Audited
Prepayments (non-current):		
Prepayments for acquisition of subsidiaries *(Note a)*	**5,011,928**	4,665,245
Prepayments (current) (Note b)	**13,258,443**	6,793,574
Total prepayments	**18,270,371**	11,458,819

Notes:

(a) At 31 December 2016, Eternal Green Group Limited ("**Eternal Green**") was still in the process of reorganisation with respect of the Group's acquisition of Kahuer and its wholly-owned subsidiaries (together the "**Kahuer Group**").

(b) At 31 December 2016, the Group's prepayments with a carrying amount of $13,189,704 (30 June 2016: S$6,698,630) to purchase the raw materials were pledged as security for the Group's interest-bearing borrowings.

19. HELD-FOR-TRADING INVESTMENTS

	31 December 2016 S$ Unaudited	30 June 2016 S$ Audited
Listed securities held-for-trading, at fair value:		
Equity securities listed in Hong Kong	**3,404,907**	5,756,891

The above equity investments at 31 December 2016 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. No dividend has been received in relation to the above equity investments since the start of the investments.

The market value of the Group's listed equity investments as at the date of approval of these financial statements was approximately S$3,379,565.

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

Stock code	Company Name	Percentage of shareholding as at 31 December 2016	Percentage of shareholding as at 30 June 2016	Market value as at 31 December 2016 S$	Approximate percentage to the Group's net assets as at 31 December 2016	Market value as at 30 June 2016 S$	Approximate percentage to the Group's net assets as at 30 June 2016	Change in fair value of held-for-trading investments for the six months ended 31 December 2016 S$	Change in fair value of held-for-trading investments for the six months ended 31 December 2015 S$	Approximate percentage of change in fair value of held-for-trading investments for the six months ended 31 December 2016	Approximate percentage of change in fair value of held-for-trading investments for the six months ended 31 December 2015
8097	Pinestone Capital Limited	0.741%	0.741%	2,174,839	2.31%	5,756,891	6.30%	(3,834,246)	–	(66.60)%	–
8102	Li Bao Ge Group Limited	0.229%	–	1,230,068	1.31%	–	–	287,693	–	30.96%	–
				3,404,907	3.62%	5,756,891	6.30%	(3,546,553)	–	(61.61)%	–

20. TRADE AND OTHER PAYABLES

	31 December 2016 S$ Unaudited	30 June 2016 S$ Audited
Trade payables:		
Third parties	5,615,119	1,019,300
Accruals for project costs	6,538,100	5,337,512
Other payables:		
Promissory notes payable	6,348,258	6,022,421
Accrued liabilities	529,781	511,159
GST payable	141,469	238,268
Due to related parties *(Note 24(b)(i) and (iii))*	1,107,707	1,565,541
Others	280,378	77,557
	8,407,593	8,414,946
Total	20,560,812	14,771,758

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.

20. TRADE AND OTHER PAYABLES *(Continued)*

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

	31 December 2016 S$ Unaudited	30 June 2016 S$ Audited
Trade payables:		
Less than 90 days	**5,615,119**	1,019,300
91-180 days	**–**	–
	5,615,119	1,019,300

21. INTEREST-BEARING BORROWINGS

	31 December 2016 (Unaudited)		
	Effective interest rate (%)	**Maturity**	**S$**
Non-current			
Secured loan	**11.1%**	**May 2018**	**7,297,900**
	11.0%	**Aug 2018**	**10,425,572**
Analysed into:			
Borrowings repayable in the second year			**17,723,472**

	30 June 2016 (Audited)		
	Effective interest rate (%)	Maturity	S$
Non-current			
Secured loan	11.1%	May 2018	6,820,423
Analysed into:			
Borrowings repayable in the second year			6,820,423

Note:

As at 31 December 2016 and 30 June 2016, the Group has borrowings from a finance leasing company in the PRC, which is used for financing the purchases of raw materials by the Group. The borrowings are secured by the raw materials to be purchased by the Group according to the sales and purchase agreement entered into by the Group with its supplier, and 100% (30 June 2016: 35%) shares of Zhenjiang Kaihe. In addition, the borrowings are guaranteed by a customer of a subsidiary and an individual shareholder of Eternal Green.

22. SHARE CAPITAL AND SHARE PREMIUM

	31 December 2016 S$ Unaudited	30 June 2016 S$ Audited
Authorised:		
5,000,000,000 (30 June 2016: 5,000,000,000) ordinary shares of HK$0.01 each (30 June 2016: HK$0.01 each)	8,067,769	8,067,769
Issued and fully paid:		
760,000,000 (30 June 2016: 760,000,000) ordinary shares of HK$0.01 each (30 June 2016: HK$0.01 each)	1,261,436	1,261,436

During the Interim Period, there is no movement in share capital and share premium. 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 2016 and 31 December 2016	760,000,000	1,261,436	76,984,011	78,245,447

23. 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).

At 31 December 2016 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) S$	Significant observable inputs (Level 2) S$	Significant unobservable inputs (Level 3) S$	Total S$
Financial assets				
Equity investments at fair value through profit or loss				
– Held-for-trading investments	3,404,907	–	–	3,404,907
Profit guarantee receivable *(Note)*	–	–	11,351,363	11,351,363

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

At 30 June 2016 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) S$	Significant observable inputs (Level 2) S$	Significant unobservable inputs (Level 3) S$	Total S$
Financial assets				
Equity investments at fair value through profit or loss				
– Held-for-trading investments	5,756,891	–	–	5,756,891
Profit guarantee receivable *(Note)*	–	–	8,949,777	8,949,777

Note:

Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the profit guarantee receivable, based on an appropriate discount rate.

The main input used in estimating the profit guarantee receivable, which is based on operating profit, are revenue, gross margin and the level of administrative expenses. The Group prepares detailed forecasts on the acquisition of a business and updates these on a half-yearly basis as part of its normal operating processes. These forecasts use external market forecasts, management's evaluation of the costs and expected margins, based on past experience, and are subject to detailed review at entity, segment and Group level.

Reconciliation of Level 3 fair value measurements

	Profit guarantee receivable S$
At 1 July 2016 (Audited)	8,949,777
Fair value gain	2,125,331
Exchange realignment	276,255
At 31 December 2016 (Unaudited)	**11,351,363**

There were no transfer between Level 1, 2 and 3 in both periods. The Group's policy is to recognise transfer into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited condensed consolidated interim financial statements approximate their fair values.

24. 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 2016 S$ Unaudited	 2015 S$ Unaudited
Sub-contractor fees charged by			
– joint ventures	*(i)*	**2,367,782**	405,397
– an associate	*(i)*	**–**	647,715
Operating expenses recharged by			
– a related company	*(ii)*	**6,909**	–
Rental expense charged by			
– a related company	*(iii)*	**111,720**	84,360
Secretarial fees charged to			
– joint ventures	*(iv)*	**1,200**	1,200
– an associate	*(iv)*	**600**	600
Purchases of raw materials from			
– joint ventures	*(v)*	**7,200**	5,524
– an associate	*(v)*	**2,200**	–
– a related company	*(v)*	**–**	63,794

Notes:

(i) During the reporting period, Strike Singapore had subcontracted some electrical engineering works to the joint ventures and an associate.

(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 raw materials from the joint ventures and an associate. As for prior period, Strike Singapore purchased equipment and raw materials from a related company of which a key management personnel of the Group was the director of the related company and the directorship was then ceased on June 2016.

24. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties:

	Notes	**31 December 2016 S$ Unaudited**	30 June 2016 S$ Audited
Due to an individual shareholder	*(i)*	**169,406**	164,919
Due (from) to a key management personnel	*(ii)*	**(208,511)**	487,173
Due to a related company	*(iii)*	**938,301**	913,449
Total		**899,196**	1,565,541

Notes:

(i) The Group had an outstanding balance due to its individual shareholder, who became a substantial shareholder of the Company after the completion of the acquisition of Kahuer Group, of S$169,406 (30 June 2016: S$164,919) as at the end of the reporting period.

(ii) The Group had an outstanding balance due (from) to the general manager of Kahuer Group, who became a key management personnel of the Group after the completion of acquisition of Kahuer Group, of S$(208,511) (30 June 2016: S$487,173) as at the end of the reporting period.

(iii) The Group has an outstanding balance due to Tianjin Kaihe Dianli Keji Limited ("**Tianjin Keji**"), a company controlled by a key management personnel of the Kahuer Group, of S$938,301 (30 June 2016: S$913,449) as at 31 December 2016. Tianjin Keji made a payment to a supplier of the Group on behalf of the Group and the Group pledged 45% (30 June 2016: 45%) shares of Xuyi Shengneng to the supplier.

These balances 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. The lease expired on 31 July 2015 and extended for another year to 31 July 2016. On 14 July 2016, the agreement was extended for a further 12 months commencing on 1 August 2016 to 31 July 2017.

On 1 October 2015, Strike Singapore entered into a one-year agreement with Victrad for the lease of workers dormitory units. The lease will expire on 30 September 2016. On 13 September 2016, the agreement was extended for a further 12 months commencing on 1 October 2016 to 30 September 2017.

The amount of total rental expenses charged by Victrad during the year is included in Note 24(a)(iii) to the financial statements. The operating lease commitments in respect of the above leases as at the balance sheet date, which fall due within one year, amounted to S$148,580 (30 June 2016: S$36,860).

Notes to the Condensed Consolidated Financial Statements

24. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 31 December	
	2016	2015
	S$	S$
	Unaudited	Unaudited
Directors' fees	**161,253**	80,760
Salaries and bonuses	**318,600**	316,500
Pension scheme contributions	**31,573**	27,516
	511,426	424,776
Related parties		
Remuneration paid to close family members of key management personnel	**4,330**	8,042

25. 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	30 June
	2016	2016
	S$	S$
	Unaudited	Audited
Guarantees:		
Security bonds to the Singapore Government in relation to foreign workers	**690,000**	730,000

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.

26. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred since the end of the Interim Period.

27. 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 27 February 2017.

Corporate Governance

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 2016, save and except for the deviations from code provisions A.2.7 and A.6.7.

Under code provision A.2.1 of the CG Code, the roles of chairman and managing director should be separate and should not be performed by the same individual. In compliance with the CG Code, the positions of the chairman and managing director of the Company were held by Mr. Peng Rongwu ("**Mr. Peng**") and Mr. Yeo Jiew Yew ('**Mr. Yeo**") respectively. On the annual general meeting of the Company dated 13 February 2017, Mr. Yeo retired and did not offer himself for re-election as an executive Director of the Company and also ceased to be the managing Director of the Company. As the Company does not appoint any officer to replace Mr. Yeo as the managing Director of the Company, the Company did not comply with the code provision A.2.1 after the retirement of Mr. Yeo. Mr. Peng, who acted as the chairman of the Company, was also responsible for overseeing the general operations of the Group and all its subsidiaries. In addition, Mr. Yeo remains as the director of Strike Electrical Engineering Pte. Ltd., a wholly-owned subsidiary of the Company in Singapore. The directors of the Company consider that this structure will not impair the balance of power and authority between the directors and the management of the Company. The Company understands that 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 chairman and managing director.

Code provision A.2.7 of the CG Code provides that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. Taking into account the Chairman, Mr. Peng Rongwu is also an executive Director of the Company (the "**Executive Director**"), no meeting shall therefore be held between the chairman (the "**Chairman**") and the non-executive Directors of the Company (the "**Non-executive Directors**") without the Executive Directors present.

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. Two independent non-executive Directors of the Company (the "**Independent Non-executive Directors**"), Dr. Luo Xiaodong and Mr. Ng Wai Hung, were unable to attend the annual general meeting of the Company held on 13 February 2017 due to their other business engagements.

The board (the "**Board**") of directors (the "**Directors**") of the Company adopted a "Board Diversity Policy" with the objective to ensure selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

During the six months ended 31 December 2016 and up to the date of this report, there have been the following changes in the Board:

- Mr. Liu Yancheng was appointed as the executive Director of the Company with effect from 5 January 2017.
- Dr. Luo Xiaodong was appointed as the Independent Non-executive Director of the Company with effect from 5 January 2017.
- Mr. Yeo Jiew Yew retired as the executive Director of the Company and ceased to be the managing director of the Company with effect from 13 February 2017.

At the annual general meeting of the Company held on Monday, 13 February 2017, Mr. Liu Yancheng, Mr. Wong Kee Chung, Dr. Luo Xiaodong and Mr. Ng Wai Hung retired and were re-elected as Directors.

As at the date of this report, the Board comprises:

Executive Directors
Mr. Peng Rongwu *(Chairman)*
Mr. Liu Yancheng (appointed on 5 January 2017)
Mr. Wong Kee Chung
Mr. Yeo Jiew Yew (retired on 13 February 2017)

Independent Non-executive Directors
Mr. Lam Kwan Yau Gilbert
Mr. Leung Po Hon
Dr. Luo Xiaodong (appointed on 5 January 2017)
Mr. Ng Wai Hung

Non-executive Director
Mr. Tam Tak Wah

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 comprised four Non-executive Directors, amongst which three are independent. 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 2016.

The Remuneration 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 Remuneration Committee comprised four Non-executive Directors, amongst which three are independent. The Remuneration Committee is responsible for advising the Board on the emolument policies towards Directors and senior management.

The Nomination 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 Nomination Committee comprised four members, amongst which three are Independent Non-executive Directors and one is Executive Director.

The Directors have engaged the auditors of the Company to assist the Company to review the Interim Results. The auditors informed the Company that the limitations on scope set out in disclaimer of opinion in the audit report of the financial statements of the Company for the year ended 30 June 2016 still exist in the Interim Results and the auditors would not be able to complete the review in accordance with Hong Kong Standards on Review Engagements 2410. After communicating with the auditors, the Board have no other issue or circumstance that were considered necessary to bring to the attention to the shareholders.

CHANGES IN INFORMATION OF DIRECTORS

The following information is set out pursuant to the requirements of Rule 13.51B(1) of the Listing Rules:

With effect from 1 January 2017, the monthly remuneration of each of Mr. Peng and Mr. Wong Kee Chung has been revised to HK$70,000 which was recommended by the Remuneration Committee and was determined by the Board with reference to their roles and responsibilities and the prevailing market conditions.

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 2016.

Mr. Peng, the Chairman and Executive Director has dealt with the securities of the Company during black-out period as a result of forced sellings ("**Forced Sellings**") by the brokers under his securities margin accounts on 28 July 2016, 29 July 2016 and 1 August 2016 respectively. After the Forced Sellings, Mr. Peng's shareholding interests in the Company reduced from approximately 11.2% to approximately 4.05%. The Directors, who are not interested in the Forced Sellings satisfied that the Forced Sellings were exceptional circumstances under paragraph C.14 of the Model Code.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2016, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") (a) as recorded in the register required to be kept under section 352 of the SFO; or (b) as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Exchange**") pursuant to the Model Code, were as follows:

Long Positions in Shares and Underlying Shares of the Company

Director	Capacity	Number of shares/ underlying shares held	Percentage of shares of the Company in issue
Peng Rongwu	Beneficial owner	30,785,000	4.05%

Save as disclosed above, as at 31 December 2016, none of the Directors nor chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2016, 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	10.51%

Save as disclosed above, as at 31 December 2016, 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.

SHARE OPTIONS

A share option scheme ("**Share Option Scheme**") was approved and adopted by shareholders of the Company on 13 February 2017 and shall be valid and effective for a period of ten years commencing on 13 February 2017, subject to the early termination provisions contained in the Share Option Scheme.

During the six months ended 31 December 2016, the Company did not adopt and/or maintain a share option scheme. At no time during the six months ended 31 December 2016 were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or its subsidiary a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

During the six months ended 31 December 2016, 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 2016.

SHAREHOLDERS' COMMUNICATIONS

The Board recognises the importance of maintaining an effective mutual communication with its stakeholders. Designated management staff meets with research analysts and institutional investors on an on-going basis and provides them with the latest and comprehensive information about the corporate developments of the Group. In addition, the Company utilises its website (www.kingbostrike.com) as a channel to provide updated information in a timely manner in order to strengthen the communication with our stakeholders.