



Grandshores Technology Group Limited

雄岸科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1647)

INTERIM REPORT **2019**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

Mr. Yao Yongjie (*Chairman*)

NON-EXECUTIVE DIRECTORS

Mr. Chua Seng Hai

Ms. Lu Xuwen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Chung Yue, Howard

Dr. Zhang Weining

Mr. Yu Wenzhuo

AUDIT COMMITTEE

Mr. Chu Chung Yue, Howard (*Chairman*)

Dr. Zhang Weining

Mr. Yu Wenzhuo

REMUNERATION COMMITTEE

Dr. Zhang Weining (*Chairman*)

Mr. Yao Yongjie

Ms. Lu Xuwen

Mr. Chu Chung Yue, Howard

Mr. Yu Wenzhuo

NOMINATION COMMITTEE

Mr. Yao Yongjie (*Chairman*)

Ms. Lu Xuwen

Mr. Chu Chung Yue, Howard

Dr. Zhang Weining

Mr. Yu Wenzhuo

COMPANY SECRETARY

Mr. Wong Ngai

AUTHORISED REPRESENTATIVES

Mr. Yao Yongjie

Mr. Wong Ngai

REGISTERED OFFICE

Cricket Square

Hutchins Drive P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3709, 37/F, Tower 2, Lippo Centre

89 Queensway, Admiralty, Hong Kong

CORPORATE INFORMATION *(Continued)*

PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

18 Kaki Bukit Place
Eunos Techpark
Singapore 416196

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Crowe (HK) CPA Limited
Certified Public Accountants
9/F, Leighton Centre
77 Leighton Road, Causeway Bay
Hong Kong

PRINCIPAL BANKS

United Overseas Bank
DBS Bank (Hong Kong)

COMPANY'S WEBSITE

www.grandshorestech.com

STOCK CODE

1647

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
	<i>Note</i>	S\$	S\$
		(Unaudited)	(Unaudited)
Revenue	4	19,952,224	22,509,910
Costs of services		(13,621,206)	(15,506,522)
Gross profit		6,331,018	7,003,388
Other income	5A	147,287	79,154
Other gains and losses	5B	562,351	1,222,468
Selling expenses		(43,399)	(49,830)
Administrative expenses		(6,163,545)	(4,812,276)
Finance costs	6	(54,637)	(56,851)
Share of loss of an associate		(55,350)	—
Profit before taxation		723,725	3,386,053
Income tax expense	7	(276,897)	(428,087)
Profit for the period	8	446,828	2,957,966
Other comprehensive income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(219,877)	(5,142)
Total comprehensive income for the period		226,951	2,952,824

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
	<i>Note</i>	S\$	S\$
		(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company		(377,546)	2,958,518
Non-controlling interests		824,374	(552)
		446,828	2,957,966
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(597,423)	2,953,386
Non-controlling interests		824,374	(562)
		226,951	2,952,824
Basic and diluted (loss)/earnings per share <i>(S\$ cents)</i>	<i>10</i>	(0.04)	0.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 September 2019*

		30 September 2019	31 March 2019
	<i>Note</i>	S\$ (Unaudited)	S\$ (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	8,730,413	8,013,240
Interest in an associate		812,829	853,354
Equity Investment at FVTOCI		1,956,129	1,231,389
Goodwill	24	82,908	—
Loan receivable		—	5,326,002
		11,582,279	15,423,985
Current assets			
Inventories	12	4,964,631	1,697,686
Trade receivables	13	7,562,275	14,587,678
Other receivables, deposits and prepayments	14	7,357,497	8,948,615
Contract assets	15	415,321	51,479
Amounts due from related parties/companies	16	2,829,104	878,250
Pledged bank deposits	17	1,512,893	1,738,187
Bank balances and cash	17	30,422,466	22,567,211
		55,064,187	50,469,106
Current liabilities			
Trade and other payables	18	5,220,810	8,350,883
Lease liabilities		686,695	—
Borrowings	19	238,332	238,332
Income tax payable		574,045	939,763
		6,719,882	9,528,978
Net current assets		48,344,305	40,940,128
Total assets less current liabilities		59,926,584	56,364,113

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**As at 30 September 2019*

		30 September 2019	31 March 2019
	<i>Note</i>	S\$ (Unaudited)	S\$ (Audited)
Non-current liabilities			
Lease liabilities		27,368	—
Borrowings	19	2,502,506	2,621,672
Deferred tax liabilities		236,435	236,435
		2,766,309	2,858,107
Net assets		57,160,275	53,506,006
EQUITY			
Capital and reserves			
Share capital	20	1,855,859	1,855,859
Reserves		50,696,641	50,780,995
Equity attributable to owners of the Company		52,552,500	52,636,854
Non-controlling interests		4,607,775	869,152
Total equity		57,160,275	53,506,006

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company										Non-controlling interests	Total
	Share Capital	Share premium	Capital redemption reserve	Share option reserve	Translation reserve	Treasury shares	Merger reserve	Accumulated profits	Sub-total			
	S\$	S\$ (Note A)	S\$ (Note B)	S\$ (Note C)	S\$ (Note D)	S\$ (Note E)	S\$ (Note F)	S\$	S\$	S\$	S\$	
At 1 April 2018	1,865,922	23,369,650	—	—	—	—	2,099,996	21,149,135	48,484,703	—	48,484,703	
Profit for the period	—	—	—	—	—	—	—	2,958,518	2,958,518	(552)	2,957,966	
Exchange difference arising from translation of foreign operation	—	—	—	—	(5,132)	—	—	—	(5,132)	(10)	(5,142)	
Total comprehensive income for the period	—	—	—	—	(5,132)	—	—	2,958,518	2,953,386	(562)	2,952,824	
Recognition of equity-settled share-based payments	—	—	—	18,981	—	—	—	—	18,981	—	18,981	
Capital contribution by non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	882,924	882,924	
At 30 September 2018 (unaudited)	1,865,922	23,369,650	—	18,981	(5,132)	—	2,099,996	24,107,653	51,457,070	882,362	52,339,432	
At 1 April 2019	1,855,859	22,458,819	10,063	106,544	74,297	—	2,099,996	26,031,276	52,636,854	869,152	53,506,006	
(Loss)/profit for the period	—	—	—	—	—	—	—	(377,546)	(377,546)	824,374	446,828	
Exchange difference arising from translation of foreign operation	—	—	—	—	(219,877)	—	—	—	(219,877)	—	(219,877)	
Total comprehensive (expense)/income for the period	—	—	—	—	(219,877)	—	—	(377,546)	(597,423)	824,374	226,951	
Recognition of equity-settled share-based payments	—	—	—	833,588	—	—	—	—	833,588	—	833,588	
Capital contribution by non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	2,914,249	2,914,249	
Repurchase of shares	—	—	—	—	—	(320,519)	—	—	(320,519)	—	(320,519)	
At 30 September 2019 (unaudited)	1,855,859	22,458,819	10,063	940,132	(145,580)	(320,519)	2,099,996	25,653,730	52,552,500	4,607,775	57,160,275	

Note:

- (A) Share premium represents the excess of share issue over the par value.
- (B) Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.
- (C) Share option reserve represents the portion of the grant date fair value of unexercised share options granted to employees and consultants of the Company that has been recognized in accordance with the accounting policy adopted for share-based payments.
- (D) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
- (E) The treasury share reserve represents the shares repurchased but not yet cancelled during the six months ended 30 September 2019.
- (F) Merger reserve represents the difference between the cost of the acquisition for the reorganisation and the value of share capital of the entities acquired.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2019*

	Six months ended	
	30 September	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from operations	3,356,269	1,162,682
Tax paid	(642,615)	(599,629)
Net cash from operating activities	2,713,654	563,053
Investing activities		
Investment in equity investment at FVTOCI	(724,740)	(1,245,631)
Purchase of property, plant and equipment	(800,672)	(74,347)
Proceeds from disposal of property, plant and equipment	10,326	9,350
Release of pledged bank deposits	225,294	151,356
Interest received	92,356	52,227
Acquisition of subsidiary	268,378	—
Investment in an associate	(789,907)	—
Disposal of an associate	872,818	—
Repayment of loan receivable	5,326,002	—
Net cash from (used in) investing activities	4,479,855	(1,107,045)
Financing activities		
Repayment of borrowings	(119,166)	(119,166)
Interests paid	(54,637)	(56,851)
Repayment of lease liability	(83,747)	—
Capital contribution by non-controlling interests of a subsidiary	1,033,131	—
Payment on repurchase of shares	(320,519)	—
Net cash from (used in) financing activities	455,062	(176,017)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*(Continued)**For the six months ended 30 September 2019*

	Six months ended	
	30 September	2018
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Net increase (decrease) in cash and cash equivalents	7,648,571	(720,009)
Cash and cash equivalents at beginning of the period	22,567,211	39,412,934
Effect of foreign exchange rate changes	206,684	1,243,320
Cash and cash equivalents at end of the period, represented by bank balances and cash	30,422,466	39,936,245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 18 May 2016 and its registered office is Cricket Square, Hutchins Drive, P.O. 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 Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “**Companies Ordinance**”) on 13 June 2016.

The Company is an investment holding company and the principal activities of its operating subsidiaries are providing integrated building services and undertaking building and construction works in Singapore. The Group is also engaging in blockchain technology development and application business and industrial hemp business.

The Company was listed on the Main Board of the Stock Exchange on 30 March 2017.

The functional currency of the Group is Singapore dollars (“**S\$**”), which is also the presentation currency of the Group.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Companies Ordinance.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Except as described below, the accounting policies and methods of computation used in the consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

The Group has initially adopted IFRS 16 “Leases” from 1 April 2019. A number of other new standards are effective for annual periods beginning on or after 1 January 2019 but they do not have a material effect on the Group’s financial statements.

IFRS 16 “Leases”

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 31 March 2019 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the change in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains lease component, the Group allocated the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 16 "Leases" *(Continued)*

B. As a lessee

The Group leases some properties as office and as staff dormitories.

As a lessee, the Group previously classified lease as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in "Property, plant and equipment". The carrying amounts of right-of-use assets are as below:

	Property, plant and equipment
	S\$
Balance at 1 April 2019	797,810
Balance at 30 September 2019	697,401

The Group presents lease liabilities in "Lease liabilities" in the consolidated statement of financial position.

i. Significant accounting policies

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 16 "Leases" *(Continued)*

B. As a lessee *(Continued)*

i. Significant accounting policies (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increase by the interest cost on the lease liability and decreased by lease payment made. It is measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

ii. Transition

Previously, the Group classified property leases as operating leases under IAS 17. These include office and staff dormitory. The leases typically run for a period of two years.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at 1 April 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 16 "Leases" *(Continued)*

B. As a lessee *(Continued)*

ii. Transition *(Continued)*

The Group used the following practical expedients when applying IFRS 16 to lease previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

C. Impacts on financial statements

i. Impact on transition

On transition to IFRS 16, the Group recognized additional right-of-use assets and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below:

	1 April 2019
	S\$
Right-of-use assets	797,810
Lease liabilities	797,810

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is 5%.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 16 "Leases" *(Continued)*

C. **Impacts on financial statements** *(Continued)*

i. **Impact on transition** *(Continued)*

	1 April 2019
	S\$
Operating lease commitment at 31 March 2019	820,063
Discounting impact using relevant incremental borrowing rates at date of initial application of IFRS 16	<u>(22,253)</u>
Lease liability recognized at 1 April 2019	<u>797,810</u>

ii. **Impacts for the period**

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized S\$697,401 of right-of-use assets and S\$714,063 of lease liabilities as at 30 September 2019.

Also in relation to those leases under IFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the six months ended 30 September 2019, the Group recognized S\$396,456 of depreciation charges and S\$21,194 of interest costs from these leases.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents income from (i) providing integrated building services, with a focus on maintenance and installations of mechanical and electrical ("**M&E**") systems and including minor repairs and improvement works ("**Integrated Building Services**"), (ii) undertaking building and construction works ("**Building Construction Works**"), (iii) engaging in operation, maintenance and management of data centres and other high performance data processing facilities and equipment in relation to blockchain technologies, digital assets trading platform operation and blockchain strategic advisory services provision ("**Blockchain Technology Development and Application**") and (iv) engaging in hemp seed research, hemp cultivation, Cannabidiol ("**CBD**") extraction and CBD downstream product application ("**Industrial Hemp**").

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information is reported to the Executive Directors, being the chief operating decision maker (“**CODM**”) of the Group, for the purposes of resource allocation and performance assessment. The CODM reviews revenue by nature of services, i.e. “Integrated Building Services”, “Building Construction Works”, “Blockchain Technology Development and Application” and “Industrial Hemp” and profit for the year as a whole. No analysis of the Group’s result, assets and liabilities is regularly provided to CODM for review. Accordingly, only entity-wide disclosures on services, major customers and geographical information are presented in accordance with IFRS 8 “Operating Segments”.

An analysis of the Group’s revenue is as follows:

	Six months ended 30 September	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Revenue from:		
Integrated Building Services	15,922,280	20,662,990
Building Construction Works	826,222	1,846,920
Blockchain Technology Development and Application	3,203,722	—
Industrial Hemp	—	—
	19,952,224	22,509,910

Information about the Major Customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Six months ended 30 September	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Customer I	6,177,961	9,168,301
Customer II	2,446,772	2,461,585

4. REVENUE AND SEGMENT INFORMATION *(Continued)***Geographical Information**

The Group's revenue from customers and information about its specified non-current assets, comprising property, plant and equipment and interest in an associate, by geographical location are detailed below:

(a) Revenue from external customers

	Six months ended 30 September	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Singapore	16,748,502	22,509,910
Hong Kong	2,662,823	—
People's Republic of China ("PRC")	540,899	—
	19,952,224	22,509,910

(b) Non-current assets

	30 September	31 March
	2019	2019
	S\$	S\$
	(Unaudited)	(Audited)
Singapore	7,681,281	8,000,984
Hong Kong	110,504	865,610
PRC	816,016	—
Canada	238,040	—
	8,845,841	8,866,594

5A. OTHER INCOME

	Six months ended 30 September	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Interest income	92,356	52,227
Government grants	25,356	21,170
Others	29,575	5,757
	147,287	79,154

5B. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Loss arising on disposal of property, plant and equipment	(8,674)	(26,164)
Gain on disposal of a subsidiary/an associate	59,567	—
Management fee income	84,853	—
Foreign exchange gain, net	426,605	1,248,632
	562,351	1,222,468

6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	S\$ (Unaudited)	S\$ (Unaudited)
Interests on bank borrowings	33,443	56,851
Interest costs on lease liabilities	21,194	—
	54,637	56,851

7. INCOME TAX EXPENSE

Singapore corporate income tax has been provided at the rate of 17% (30 September 2018: 17%) on the estimated assessable profits arising in or derived from Singapore.

Hong Kong profits tax has been provided at 16.5% (30 September 2018: Nil) of the assessable profits in Hong Kong for the period.

No PRC corporate income tax has been provided as the Group did not generate any assessable profits in the PRC for both periods.

	Six months ended 30 September	
	2019	2018
	S\$ (Unaudited)	S\$ (Unaudited)
Tax expense comprises:		
Current income tax		
— Singapore corporate income tax	160,881	428,087
— Hong Kong profit tax	116,016	—
— PRC corporate income tax	—	—
	276,897	428,087

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 September	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	469,243	522,978
Depreciation of right-of-use assets	396,456	—
Staff costs (including directors' remuneration)		
— Salaries and other benefits	4,042,764	3,803,388
— Contributions to Singapore CPF & Hong Kong MPF	163,839	170,649
— Equity-settled share-based payment	833,587	18,981
Total staff costs	5,040,190	3,993,018
Cost of materials	2,865,444	4,048,225
Subcontractor costs	7,030,673	9,482,643

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (Six months ended 30 September 2018: Nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company are based on the following data:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
(Loss)/Profit attributable to the owners of the Company (\$\$)	(377,546)	2,958,518
Weighted average number of ordinary shares in issue for the purpose of basic (loss)/earnings per share	1,031,905,000	1,037,500,000
Effect of dilutive potential ordinary shares — Share options	196,988	13,691
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	1,032,101,988	1,037,513,691
Basic and diluted (loss)/earnings per share (\$\$ cents)	(0.04)	0.29

11. PROPERTY, PLANT AND EQUIPMENT

	30 September 2019	31 March 2019
	S\$ (Unaudited)	S\$ (Audited)
Carrying amount at 1 April 2019/2018	8,013,240	8,744,710
Impact on initial application of IFRS 16 — right-of-use assets	797,810	—
Adjusted carrying amount at 1 April 2019/2018	8,811,050	8,744,710
Additions	800,672	348,379
Acquisition of a subsidiary	3,346	—
Disposals	(19,000)	(55,504)
Depreciation provided during the period/year	(865,699)	(1,024,350)
Effect of foreign currency exchange differences	44	5
Carrying amount at 30 September/31 March	8,730,413	8,013,240

12. INVENTORIES

	30 September 2019	31 March 2019
	S\$ (Unaudited)	S\$ (Audited)
Low value consumables	123,621	218,338
Raw materials	1,322,542	1,147,531
Work in progress	808,375	331,817
Digital asset	2,710,093	—
	4,964,631	1,697,686

Digital asset inventories are held for the purposes of trading in the ordinary course of the Group's digital assets business in the over-the-counter market.

12. INVENTORIES *(Continued)*

Since the Group trades digital assets and generating a profit from fluctuations in the price, the Group applies the guidance in IAS 2 to measure the digital asset inventories at fair value less costs to sell. The Group considers there are no significant “costs to sell” digital assets and hence measurement of digital assets is based on their fair values with changes in fair values recognised in the statement of profit or loss in the period of the changes. See Note 23(b) for estimation of fair value in respect of the digital asset inventories.

Fair value gain of S\$1,548,719 (30 September 2018: Nil) from remeasurement of digital asset inventories at 30 September 2019 is presented as part of the Revenue in the “Blockchain Technology Development and Application” Segment in the unaudited consolidated statement of profit or loss.

13. TRADE RECEIVABLES

	30 September 2019	31 March 2019
	S\$ (Unaudited)	S\$ (Audited)
Billed trade receivables	4,923,344	11,233,310
Unbilled trade receivables <i>(Note a)</i>	2,638,931	3,354,368
	7,562,275	14,587,678

Note:

- (a) Unbilled trade receivables represents (i) the accrued revenue from Integrated Building Services for work performed but yet to be billed; and (ii) the remaining balances of construction revenue to be billed for completed Building Construction Works contracts which are entitled for billing.

13. TRADE RECEIVABLES *(Continued)*

The Group grants credit terms to customers typically between 15 and 60 days from the invoice date for trade receivables. The following is an analysis of trade receivables by age presented based on the invoice date at the end of each reporting period:

	30 September 2019	31 March 2019
	S\$ (Unaudited)	S\$ (Audited)
Within 90 days	3,801,391	9,346,112
91 days to 180 days	161,275	1,476,690
181 days to 365 days	716,243	237,723
Over 1 year but not more than 2 years	174,599	121,904
More than 2 years	69,836	50,881
	4,923,344	11,233,310

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2019	31 March 2019
	S\$ (Unaudited)	S\$ (Audited)
Deposits	1,140,316	1,140,798
Prepayments	2,462,090	3,429,134
Advances to staff	28,500	28,500
Other receivables	3,149,821	2,650,178
Amount due from a broker	576,770	1,700,005
	7,357,497	8,948,615

15. CONTRACT ASSETS

	30 September 2019	31 March 2019
	S\$ (Unaudited)	S\$ (Audited)
Contract costs incurred plus recognised profits less recognised losses	5,288,301	—
Less: progress billings	(4,872,980)	—
	415,321	—
Building construction works	—	51,479
	415,321	51,479

16. AMOUNTS DUE FROM RELATED PARTIES/COMPANIES

	30 September 2019	31 March 2019
	S\$ (Unaudited)	S\$ (Audited)
Trade related	3,200	5,417
Non-trade related	2,825,904	872,833
	2,829,104	878,250

16. AMOUNTS DUE FROM RELATED PARTIES/COMPANIES *(Continued)*

Amounts due from related parties/companies – trade related are unsecured, interest-free and with a credit period of 30 days from the invoice date. The following is an aged analysis of amounts due from related companies – trade related presented based on the invoice date at the end of the reporting period:

	30 September 2019	31 March 2019
	S\$ (Unaudited)	S\$ (Audited)
Within 90 days	2,141	5,417
91 days to 180 days	1,059	—
	3,200	5,417

Amount due from related parties/companies — non-trade related are unsecured, interest-free and repayable on demand.

17. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	30 September 2019	31 March 2019
	S\$ (Unaudited)	S\$ (Audited)
Pledged bank deposits <i>(note a)</i>	1,512,893	1,738,187
Bank balances and cash <i>(note b)</i>	30,422,466	22,567,211

Notes:

- a) Pledged bank deposits represent deposits placed with banks with an original maturity of 12 months for corresponding amounts of performance guarantees granted to the Group in favour of customers. The balances carry interest of 0.25% per annum at 30 September 2019 and 31 March 2019.
- b) Bank balances carried interest at market rate ranging from 0.0% — 1.83% as at 30 September 2019 (31 March 2019: 0.0%-0.2%).

18. TRADE AND OTHER PAYABLES

	30 September 2019	31 March 2019
	S\$ (Unaudited)	S\$ (Audited)
Trade payables	3,718,760	6,045,758
Trade accruals	—	661,885
	3,718,760	6,707,643
Accrued operating expenses	631,783	705,156
Other payables		
GST payable	340,783	613,977
Others	529,484	324,107
	5,220,810	8,350,883

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	30 September 2019	31 March 2019
	S\$ (Unaudited)	S\$ (Audited)
Within 90 days	2,533,776	4,768,163
91 days to 180 days	520,084	281,061
181 days to 365 days	508,923	332,824
Over 1 year but not more than 2 years	83,856	595,606
Over 2 years	72,121	68,104
	3,718,760	6,045,758

The credit period on purchases from suppliers and subcontractors is between 15 to 90 days (31 March 2019: 15 to 90 days) or payable upon delivery.

19. BORROWINGS

	30 September 2019	31 March 2019
	S\$ (Unaudited)	S\$ (Audited)
Bank loan — secured	2,740,838	2,860,004
Analysed as:		
Carrying amount repayable within one year	238,332	238,332
Carrying amount repayable more than one year, but not exceeding two years	2,502,506	2,621,672
	2,740,838	2,860,004
Amount due within one year shown under current liabilities	(238,332)	(238,332)
Amounts shown under non-current liabilities	2,502,506	2,621,672

20. SHARE CAPITAL

	Number of shares	Par value HK\$	Share capital HK\$
Authorised share capital:			
At 31 March 2018 (audited), 31 March 2019 (audited) and 30 September 2019 (unaudited)	5,000,000,000	0.01	50,000,000

20. SHARE CAPITAL (Continued)

	Number of shares	Share capital
		S\$
Issued and fully paid:		
At 31 March 2018 (audited)	1,037,500,000	1,865,922
Repurchase and cancellation of shares (note a)	(5,595,000)	(10,063)
	<hr/>	<hr/>
At 31 March 2019 (audited) and 30 September 2019 (unaudited)	1,031,905,000	1,855,859
	<hr/>	<hr/>

Note:

- a) The Company repurchased and cancelled 5,595,000 shares on the Stock Exchange during the year ended 31 March 2019 at prices ranging from HK\$0.80 to HK\$1.11 per share for an aggregate consideration of HK\$5,261,296 (equivalent to S\$920,894) (including transaction costs of HK\$17,045).
- b) The Company repurchased 3,365,000 share on the Stock Exchange during the six months ended 30 September 2019 at prices ranging from HK\$0.47 to HK\$0.63 per share for an aggregate consideration of HK\$1,800,108 (equivalent to S\$320,519) (including transaction costs of HK\$3,733). All the shares bought back will be subsequently cancelled by the Company.

21. RELATED PARTY TRANSACTIONS

Some of the Group’s transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these consolidated financial statements.

Apart from details disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties during the reporting period:

	Six months ended 30 September	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Sales of services to related companies (<i>note a</i>)	67,309	77,046

Note:

- a) A key management personnel of the Group has significant influence over these related companies.

Guaranteed from Director of a Subsidiary

The amount remained outstanding in respect of performance guarantees and security bonds for foreign workers in favour of the Group at the end of each reporting period:

	30 September	31 March
	2019	2019
	S\$	S\$
	(Unaudited)	(Audited)
Director of a subsidiary	320,000	765,076

21. RELATED PARTY TRANSACTIONS *(Continued)***Compensation of Key Management Personnel**

The remuneration of directors and other members of key management during the period were as follows:

	Six months ended 30 September	
	2019	2018
	S\$	S\$
	(Unaudited)	(Unaudited)
Short term benefits	911,095	520,745
Post-employment benefits	23,080	27,720
	<hr/>	<hr/>
Total compensation	934,175	548,465
	<hr/>	<hr/>

22. COMMITMENTS

At 31 March 2019, the total future minimum rental payable under non-cancellable leases were as follows:

	Properties S\$
Within 1 year	619,641
After 1 year but within 5 years	200,422
	<hr/>
	820,063
	<hr/>

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS17. The Group has initially applied HKFRS16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances of 1 April 2019 to recognise leases liabilities relating to these leases (See note 3). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 3.

23. FAIR VALUE MEASUREMENT

(a) Financial assets and liabilities

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13 "Fair value measurement".

	Level 1	Level 2	Level 3	Total
	S\$	S\$	S\$	S\$
As at 30 September 2019:				
— Unlisted equity investment	—	—	1,956,129	1,956,129
As at 31 March 2019:				
— Unlisted equity investment	—	—	1,231,389	1,231,389

The Group did not have any financial liabilities measured at fair value as at 30 September 2019 and 31 March 2019.

During the six months ended 30 September 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (year ended 31 March 2019: Nil).

Information about Level 3 fair value measurement

Unlisted equity investment is measured using valuation techniques based on inputs that can be observed in the markets in addition to unobservable inputs such as company specific financial information.

The Group uses the recent transaction price to determine the fair value of the unlisted equity investment as at 30 September 2019.

23. FAIR VALUE MEASUREMENT (Continued)

(a) Financial assets and liabilities (Continued)

The movement during the period in the balance of the Level 3 fair value measurement are as follows:

	Six months ended 30 September	
	2019	2018
	S\$	S\$
Unlisted equity investment		
At 1 April	1,231,389	—
Additions	724,740	—
	<hr/>	<hr/>
At 30 September	1,956,129	—
	<hr/>	<hr/>

(b) Non-financial assets

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the unaudited consolidated interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards.

(i) Fair value hierarchy

Recurring fair value measurements

	Level 1	Level 2	Level 3	Total
	S\$	S\$	S\$	S\$
As at 30 September 2019:				
— Digital asset inventories	2,710,093	—	—	2,710,093
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2019:				
— Digital asset inventories	—	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>

There were no transfer between levels 1,2 and 3 for recurring fair value measurements during the period.

23. FAIR VALUE MEASUREMENT (Continued)**(b) Non-financial assets** (Continued)**(ii) Valuation inputs and relationship to fair value**

Digital asset inventories are held for the purposes of trading in the ordinary course of the Group's digital assets business in the over-the-counter market. As at 30 September 2019, the digital asset inventories are measured at level 1 fair value. The determination of fair value hierarchy level for valuation of the digital asset inventories would depend on whether the underlying digital assets are traded in an active market.

In determining fair values, the relevant available markets are identified by the Group, and the Group considers accessibility to and activity within those markets in order to identify the principal digital asset markets dealt with by the Group. Reference is made to the quoted prices from the principal digital asset markets in determining the fair values of the corresponding digital assets.

24. ACQUISITION OF A SUBSIDIARY

In September 2019, the Group completed the acquisition of 51% equity interests in Heilongjiang Yinma Technology Development Co., Ltd. (黑龍江銀麻科技發展有限公司) ("Heilongjiang Yinma"). The Group is not required to pay consideration to the seller, but is required to take up the obligation to contribute capital of RMB10,200,000 (equivalent to S\$2,014,264) to Heilongjiang Yinma. Heilongjiang Yinma is engaged in hemp related business.

	S\$
Consideration	—
Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows	
Property, plant and equipment	3,346
Bank balances and cash	268,378
Other receivables, deposits and prepayments	50,381
Other payables	(484,670)
	<u>(162,565)</u>

24. ACQUISITION OF A SUBSIDIARY *(Continued)*

S\$

Goodwill arising on acquisition

Consideration transferred	—
Less: non-controlling interests	(79,657)
Add: Net liabilities acquired	162,565
	<hr/>
	82,908
	<hr/>

Net cash inflow arising on acquisition

Cash consideration paid	—
Less: bank balances and cash acquired	268,378
	<hr/>
	268,378
	<hr/>

Goodwill is initially measured as the excess of the sum of the consideration transferred, the obligation to contribute capital to the subsidiary, and the amount of any non-controlling interests in the acquiree over the net amount of the identifiable assets acquired and the liabilities assumed as of acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill on 31 March.

25. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

26. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited consolidated interim financial statements for the six months ended 30 September 2019 were approved and authorised for issue by the board of Directors on 29 November 2019.

27. REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements for the six months ended 30 September 2019 have been reviewed with no disagreement by the Audit Committee of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group's revenue for the six months ended 30 September 2019 was approximately S\$20.0 million (30 September 2018: approximately S\$22.5 million). The Group's gross profit decreased from approximately S\$7.0 million for the six months ended 30 September 2018 to approximately S\$6.3 million for the six months ended 30 September 2019, while the Group's gross profit margin increased from approximately 31.1% for the six months ended 30 September 2018 to approximately 31.7% for the six months ended 30 September 2019.

For the integrated building services business, the Group has several contracts with a major customer expired during the period. However, facing fierce competition in pricing, the Group were not able to obtain new tender from this customer, giving rise to an unsatisfactory performance for this reporting period.

The Group will revisit our tendering strategy and actively tender for both integrated building services and constructions projects, in order to remediate the impact of losing this major customer. In the medium term, the Building and Construction Authority ("BCA") expects a steady improvement in construction demand in Singapore. The construction demand in Singapore is projected to reach between S\$27 billion and S\$34 billion per calendar year for 2020 and 2021 and could increase to between S\$28 billion and S\$35 billion per calendar year for 2022 and 2023.

BCA expects the public sector will contribute S\$16 billion to S\$20 billion per year from 2020 to 2023 with similar proportions of demand coming from building projects and civil engineering works. BCA also expects private sector construction demand to gradually increase in the medium term, boosted by further growth in the other economic sectors. The Group will take advantage of the steady growth in the overall market and maintain the Group's competitiveness in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

The Group started to engage in blockchain technology development and application business since mid-2018, including operation, maintenance and management of data centres and other high performance data processing facilities and equipment in relation to blockchain technologies, digital assets trading platform, blockchain strategic advisory service as well as render farm services that applied blockchain technologies. The blockchain technology development and application business have progressed steadily and started to generate revenue during the reporting period. Furthermore, the Group receives Bitcoin from the daily operation of blockchain technology development and application business, hence benefited from the rise of Bitcoin price from approximately US\$4,100 level at the beginning of April 2019 to approximately US\$8,300 at end of September 2019.

FUTURE PROSPECTS

The Group intends to continue the existing principal businesses that provides integrated building services and undertakes building construction works in Singapore. At the same time, the Group intends to expand and diversify our business by investing into new business opportunities which can enhance shareholder value as well as complement and leverage existing business lines.

Since mid-2018 the Group devoted resources to develop new business lines related to blockchain technology development and application and this business has commenced to bring revenue to the Group in current reporting period. Our Directors are positive about the future of the blockchain technology development and application business, considering the ongoing expansion of blockchain technology applications in different fields and industries.

The Group started to invest in setting up the facilities for our new blockchain related render farm business in Canada since mid-2019, which is expected to become an important income source of our Group in the future. A render farm is a high-performance computer system built to render computer-generated imagery for film and television visual effects.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FUTURE PROSPECTS *(Continued)*

Since March 2019, the Group expanded its business to industrial and medical related fields. The Group's industrial hemp business still in its infancy and will involve hemp seed research, hemp cultivation, Cannabidiol ("CBD") extraction and CBD downstream product application. The Group will continue to actively capture development opportunities and enhance operation in this new business.

FINANCIAL REVIEW

REVENUE

For the six months ended 30 September 2019, the Group recorded a revenue of approximately S\$20.0 million (30 September 2018: approximately S\$22.5 million), a decrease of approximately S\$2.5 million or approximately 11.1%. Such decrease was mainly due to the decreased contribution from the integrated building services, which dropped from approximately S\$20.7 million for the six months ended 30 September 2018 to approximately S\$15.9 million for the six months ended 30 September 2019, a decrease of approximately S\$4.8 million. The decrease in revenue from the integrated building services was mainly due to decrease in the amount of integrated building services works performed to a major customer, which dropped from approximately S\$9.2 million for the six months ended 30 September 2018 to approximately S\$6.2 million for the six months ended 30 September 2019. The integrated building services contracts with this customer has ended on 30 June 2019 and the Group is not successful in winning the tender of this customer for next contract period.

Revenue attributable to the building construction works decreased approximately S\$1.0 million or approximately 55.6%, from approximately S\$1.8 million for the six months ended 30 September 2018 to approximately S\$0.8 million for the six months ended 30 September 2019, mainly due to decrease in works performed for a building and construction project, amounting to approximately S\$0.3 million for the six months ended 30 September 2019 (30 September 2018: approximately S\$1.5 million). The aforesaid project is expected to complete in early 2020.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

REVENUE *(Continued)*

The decrease in revenue was partly offset by the revenue generated from the blockchain technology development and application business of approximately S\$3.2 million (30 September 2018: Nil).

No revenue has been generated from industrial and medical related hemp business, as this new business segment is still in the upfront investment and preparatory stage.

COSTS OF SERVICES

The Group's cost of services decreased from approximately S\$15.5 million for the six months ended 30 September 2018 to approximately S\$13.6 million for the six months ended 30 September 2019, representing a decrease of approximately S\$1.9 million or approximately 12.3%, which was mainly due to the decrease in revenue from integrated building services and building construction works as discussed above.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit decreased from approximately S\$7.0 million for the six months ended 30 September 2018 to approximately S\$6.3 million for the six months ended 30 September 2019, a decrease of approximately S\$0.7 million or approximately 10.0%. Such decrease was mainly due to the decrease in the revenue as discussed above.

The Group's gross profit margin increased slightly from 31.1% for the six months ended 30 September 2018 to approximately 31.7% for the six months ended 30 September 2019. The slight increase in gross profit margin was attributable to the higher profit margin for our new blockchain technology development and application business.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

OTHER GAINS AND LOSSES

The Group's other gains and losses decreased significantly from gain of approximately S\$1.2 million for the six months ended 30 September 2018 to gain of approximately S\$562,000 for the six months ended 30 September 2019. Such decrease was due to the recognition of unrealized foreign exchange gain of approximately S\$436,000 (30 September 2018: gain of approximately S\$1.2 million) for the monetary items and cash and cash equivalent denominated in Hong Kong dollars as the level of appreciation for Hong Kong dollars against Singapore dollars for the six months ended 30 September 2019 is lower than that for the six months ended 30 September 2018.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased from approximately S\$4.8 million for the six months ended 30 September 2018 to approximately S\$6.2 million for the six months ended 30 September 2019, an increase of approximately S\$1.4 million or approximately 29.2%. Such increase was mainly due to the Hong Kong office was in full six months operation compared with only three months last year and the equity-settled share-based payments of approximately S\$834,000 recognised for the share options issued to staff and consultant during the six months ended 30 September 2019 compared to such expenses of approximately S\$19,000 for the six months ended 30 September 2018.

FINANCE COSTS

The Group's finance costs decreased slightly from approximately S\$57,000 for the six months ended 30 September 2018 to approximately S\$55,000 for the six months ended 30 September 2019. Such decrease was mainly due to lower interest rate of the mortgage loan. In May 2018, the Group entered into a revised bank loan agreement for conversion of interest rate and loan tenure and successfully reduced the interest expenses from approximately S\$57,000 for the six months ended 30 September 2018 to approximately S\$33,000 for the six months ended 30 September 2019. During the current period, the Group also incurred approximately S\$21,000 interest cost for lease liability.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

INCOME TAX EXPENSE

The Group's income tax expenses decreased from approximately S\$428,000 for the six months ended 30 September 2018 to approximately S\$277,000 for the six months ended 30 September 2019, a decrease of approximately S\$151,000 or approximately 35.3%. Even though the profit before taxation for the six months ended 30 September 2019 dropped approximately 78.6% as compared with the profit before taxation for the six months ended 30 September 2018, the income tax expenses did not decrease to the same extent as the loss incurred in some entities may not have future taxable profits for offset and therefore no deferred tax credit was recognized for those entities.

(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

During the period, the Group has loss attributable to owners of the Company of approximately S\$378,000 (30 September 2018: Profit of approximately S\$3.0 million). In addition to the decrease in revenue due to the expiry of some major contracts and projects, the increase in equity-settled share-based payment expenses recognized during the period as a result of the issue of more share options also has adverse effect to the performance of the Group. Moreover, during the six months ended 30 September 2018, the Group has foreign exchange gain of approximately S\$1.2 million while such gain was only approximately S\$427,000 for the six months ended 30 September 2019, as the degree of appreciation of Hong Kong dollars against Singapore dollars was stronger during the six months period ended 30 September 2018.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2019 (30 September 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy financial position during the six months ended 30 September 2019. As at 30 September 2019, the Group had total bank balances and cash of approximately S\$30.4 million (31 March 2019: approximately S\$22.6 million). The total interest-bearing loans of the Group as at 30 September 2019 was approximately S\$2.7 million (31 March 2019: approximately S\$2.9 million), and current ratio of the Group as at 30 September 2019 was approximately 8.2 times (31 March 2019: approximately 5.3 times). As at 30 September 2019, the gearing ratio (calculated based on borrowing divided by equity attributable to owners of the Company) of the Group was approximately 0.1 times (31 March 2019: approximately 0.1 times).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy financial position throughout the period. The Board closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

PLEDGE OF ASSETS

As at 30 September 2019, the Group had approximately S\$1.5 million (31 March 2019: approximately S\$1.7 million) of pledged bank deposits for corresponding amounts of performance guarantees issued in favour of customers. The Group's owned property which is situated at 18 Kaki Bukit Place, Eunos Techpark, Singapore 416196 was pledged for mortgage loan as at 30 September 2019 and 31 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

The functional currency of the Group's major operating subsidiaries is Singapore dollars. However, certain subsidiaries of the Company have their assets and liabilities denominated in Hong Kong dollars and Renminbi. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in Hong Kong dollars and Renminbi. During the six months ended 30 September 2019, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk. The Group recorded an unrealized foreign exchange gain of approximately S\$436,000 for the six months ended 30 September 2019 (30 September 2018: gain of approximately S\$1.2 million).

CAPITAL STRUCTURE

As at 30 September 2019, the share capital and equity attributable to the owners of the Company amounted to approximately S\$1.9 million and S\$52.6 million respectively (31 March 2019: approximately S\$1.9 million and S\$52.6 million respectively).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES AND JOINT VENTURES

- (a) On 25 April 2019, the Company through its wholly owned subsidiary, Grandshores Technology (Hong Kong) Limited, entered into an equity transfer agreement with an individual to acquire 40% equity interest in Hangzhou Yupu Trading Co., Ltd.* (杭州舜樸貿易有限公司) for a consideration of RMB4,000,000. For details, please refer to the announcement of the Company dated 25 April 2019.
- (b) On 10 June 2019, the Company through its wholly owned subsidiary, Silver Fame Investment Limited and an individual entered into an equity transfer agreement to acquire 51% equity interest in Heilongjiang Yinma Technology Development Co., Ltd.* (黑龍江銀麻科技發展有限公司). For details, please refer to the announcement of the Company dated 10 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group employed a total of 295 full-time employees (including executive Directors), as compared to 327 full-time employees as at 31 March 2019. The Group's employees are remunerated according to their job scope, responsibilities, and performance. Local employees are also entitled to discretionary bonus depending on their respective performances and the profitability of the Group. The Group's foreign workers are typically employed on two-year basis depending on the period of their work permits and subject to renewal based on their performance, and are remunerated according to their work skills. Other staff benefits include the provision of retirement benefits, medical benefits and sponsorship of training courses.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 September 2019, except for the acquisition of the property, plant and equipment, the Group does not have any other plans for material investments or capital assets.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group had no material contingent liabilities.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments during the six months ended 30 September 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2019, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) as recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

LONG POSITION IN ORDINARY SHARES OF THE COMPANY

Name of Director	Capacity/Nature	Number of Shares held/interested	Approximate percentage of shareholding
Mr. Yao Yongjie (“Mr. Yao”)	Interest of controlled corporation	420,960,000 (Note 1)	40.79%

Note:

- (1) As at 30 September 2019, these shares are held by Morgan Hill Holdings Limited (“Morgan Hill”) which is owned as to 51% by Great Scenery Ventures Limited, a company wholly and beneficially owned by Mr. Yao.

LONG POSITION IN THE UNDERLYING SHARES OF THE COMPANY

Ms. Lu Xuwen, a non-executive director, has been granted options under the share option scheme of the Company, details of which are set out in the section “Share Option Scheme” below.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)***INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES** *(Continued)***LONG POSITION IN ORDINARY SHARES OF ASSOCIATED CORPORATIONS**

Name of Director	Name of associated corporation	Relationship with the Company	Capacity and nature of interest	Number of Shares held	Percentage of the associated corporation's total issued share capital
Mr. Yao	Morgan Hill	The Company's holding company	Through a controlled corporation	5,100	51.00%

Save as disclosed above, as at 30 September 2019, none of the Directors and 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 that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2019, the interests and short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES *(Continued)*

LONG POSITION IN ORDINARY SHARES OF THE COMPANY

Name	Capacity/Nature of interest	Number of Shares held	Percentage of the Company's total issued share capital
<i>Substantial shareholders</i>			
Morgan Hill	Directly beneficially owned	420,960,000 <i>(Notes 1)</i>	40.79%
Great Scenery Ventures Limited ("Great Scenery") <i>(Note 3)</i>	Through a controlled corporation	420,960,000 <i>(Note 1)</i>	40.79%
Emperor Grand International Limited ("Emperor Grand") <i>(Note 4)</i>	Through a controlled corporation	420,960,000 <i>(Notes 1)</i>	40.79%
Mr. Zhu Guangping ("Mr. Zhu") <i>(Note 4)</i>	Through a controlled corporation	420,960,000 <i>(Notes 1)</i>	40.79%
<i>Other persons</i>			
Trinity Gate Limited ("Trinity Gate")	Directly beneficially owned	109,740,000 <i>(Note 2)</i>	10.63%
Timeness Vision Limited ("Timeness vision") <i>(Note 5)</i>	Through a controlled corporation	109,740,000 <i>(Note 2)</i>	10.63%
Mr. Teng Rongsong ("Mr. Teng") <i>(Note 5)</i>	Through a controlled corporation	109,740,000 <i>(Note 2)</i>	10.63%

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES *(Continued)*

LONG POSITION IN ORDINARY SHARES OF THE COMPANY *(Continued)*

Notes:

- (1) The shareholding interests in 420,960,000 shares of the Company represents the same block of shares.
- (2) The shareholding interests of 109,740,000 shares of the Company represents the same block of shares.
- (3) Great Scenery's deemed shareholding interests were held by virtue of the 51% shareholding interests in Morgan Hill.
- (4) Emperor Grand's deemed shareholding interest were held by virtue of its 49% shareholding interests in Morgan Hill. Emperor Grand is wholly and beneficially owned by Mr. Zhu.
- (5) Timeness Vision's deemed shareholding interests were held by virtue of its 100% shareholding interests in Trinity Gate. Timeness Vision is wholly and beneficially owned by Mr. Teng.

Save as disclosed above, as at 30 September 2019, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Interests of Directors and Chief Executive in Shares, Underlying Shares and Debentures" above, had any interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 5 January 2017 (the “**Adoption Date**”). The Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date until 4 January 2027. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rule.

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest (“**Invested Entity**”).

The participants of the Share Option Scheme shall be:

- (1) any employee (whether full-time or part-time) of the Company, any of the subsidiaries and any Invested Entity;
- (2) any director (including executive, non-executive and independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (3) any supplier of goods or services to any member of the Group or any Invested Entity;
- (4) any customer of the Group or any Invested Entity;
- (5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (6) or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity eligible for options under the Share Option Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEME *(Continued)*

The total number of Shares which may be allotted and issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time. The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue.

The period during which an option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant. The minimum period for which an option must be held before it can be exercised is determined by the Board upon the grant of an option.

A consideration of S\$1 is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company, being a date not later than 21 business days from the date upon which it is made. The exercise price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an eligible person, and shall be at least the higher of: (1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, (2) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of grant, and (3) the nominal value of a share on the date of grant.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)**SHARE OPTION SCHEME** (Continued)

During the six months ended 30 September 2019, 68,500,000 share options were granted, 18,000,000 share options were lapsed and no share options were exercised under the share option scheme. Subsequent to 30 September 2019 and up to date of this report, no share options were granted or lapsed, while 2,000,000 share options were exercised.

At 30 September 2019, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 30 September 2019 was HK\$0.485) granted for a consideration of S\$1 under the Share Option Scheme:

	Date granted	No. of options outstanding as at 1 April 2019	No. of option granted during the period	No. of option exercised during the period	No. of option reclassified during the period	No. of option lapsed during the period	No. of option outstanding at end of the period	Period which options are exercisable	Exercise price per share	Market value of share at date of grant of options
									HK\$	HK\$
Director										
Ms Lu Xuwen	23 August 2018	1,000,000	—	—	—	—	1,000,000	500,000 share options: 23 August 2019 to 22 August 2022 500,000 share options: 23 August 2020 to 22 August 2022	1.20	1.20
Mr Zou Chendong	10 July 2019	—	10,000,000	—	—	(10,000,000)	—	N/A	0.636	0.56

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

SHARE OPTION SCHEME (Continued)

	Date granted	No. of options outstanding as at 1 April 2019	No. of option granted during the period	No. of option exercised during the period	No. of option reclassified during the period	No. of option lapsed during the period	No. of option outstanding at end of the period	Period which options are exercisable	Exercise price per share	Market value of share at date of grant of options
									HK\$	HK\$
Employees	23 August 2018	1,000,000	—	—	—	—	1,000,000	500,000 share options: 23 August 2019 to 22 August 2022 500,000 share options: 23 August 2020 to 22 August 2022	1.20	1.20
	12 April 2019	—	3,000,000	—	—	(3,000,000)	—	N/A	1.89	1.89
	15 May 2019	—	5,000,000	—	(5,000,000)	—	—	N/A	1.20	1.19
	16 May 2019	—	1,500,000	—	—	—	1,500,000	750,000 share options: 16 May 2020 to 15 May 2023 750,000 share options: 16 May 2021 to 15 May 2023	1.17	1.17

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

SHARE OPTION SCHEME (Continued)

	Date granted	No. of options outstanding as at 1 April 2019	No. of option granted during the period	No. of option exercised during the period	No. of option reclassified during the period	No. of option lapsed during the period	No. of option outstanding at end of the period	Period which options are exercisable	Exercise price per share	Market value of share at date of grant of options
									HK\$	HK\$
Other participants	23 August 2018	2,000,000	—	—	—	—	2,000,000	1,000,000 share options: 23 August 2019 to 22 August 2022	1.20	1.20
								1,000,000 share options: 23 August 2020 to 22 August 2022		
	12 April 2019	—	5,000,000	—	—	(5,000,000)	—	N/A	1.89	1.89
	15 May 2019	—	—	—	5,000,000	—	5,000,000	The exercise of the Share Options is subject to Grantee meeting the performance targets as determined by the Company and is valid until four years from the Date of Grant	1.20	1.19
	16 May 2019	—	34,000,000	—	—	—	34,000,000	17,000,000 share options: 16 May 2020 to 15 May 2023	1.17	1.17
								17,000,000 share options: 16 May 2021 to 15 May 2023		

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

SHARE OPTION SCHEME (Continued)

	Date granted	No. of options outstanding as at 1 April 2019	No. of option granted during the period	No. of option exercised during the period	No. of option reclassified during the period	No. of option lapsed during the period	No. of option outstanding at end of the period	Period which options are exercisable	Exercise price per share	Market value of share at date of grant of options
									HK\$	HK\$
Other participants	18 September 2019	—	10,000,000	—	—	—	10,000,000	2,000,000 share options: 18 September 2019 to 17 September 2021	0.568	0.56
								The remaining 8,000,000 share options shall be vested between 18 March 2020 to 18 September 2021, upon the achievement of certain vesting conditions. All the share options are exercisable for a period of two years after vested.		

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

CHANGE OF DIRECTORS' INFORMATION

On 17 July 2019, Ms. Li Jia resigned as executive director and co-chief executive officer. Details of the change of Director is set out in the announcement of the Company dated 17 July 2019.

On 2 September 2019, Mr. Zou Chendong resigned as executive director and co-chairman. Details of the change of Director is set out in the announcement of the Company dated 2 September 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining good corporate governance to safeguard the interest of shareholders and to achieve effective accountability. The Company has adopted the corporate governance code (the “**CG code**”) contained in Appendix 14 of the Listing Rules. To the best of the knowledge of the Board, the Company has complied with the CG code for the six months ended 30 September 2019.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the required Model Code's standard for the six months ended 30 September 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)***PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES**

During the six months ended 30 September 2019, the Company bought back a total of 3,365,000 Shares on the Stock Exchange and such shares will be subsequently cancelled by the Company. Details of those transactions are as follows:

Month of repurchase	Number of Shares repurchased	Purchase price per shares		Aggregate purchase price (including transaction costs of HK\$3,733) HK\$
		Highest HK\$	Lowest HK\$	
July 2019	1,400,000	0.63	0.58	845,303
August 2019	1,965,000	0.50	0.47	954,805
	3,365,000			1,800,108

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the six months ended 30 September 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its shares as required under the Listing Rules throughout the six months ended 30 September 2019.

On behalf of the Board

Yao Yongjie

Chairman

29 November 2019