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KINGBO STRIKE LIMITED

工蓋有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1421)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of Kingbo Strike Limited (the "**Company**") presents the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 30 June 2017, together with comparative figures for the year ended 30 June 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2017

	Notes	**2017** ***S$***	2016 *S$*
REVENUE	*4*	**57,648,773**	21,501,034
Cost of sales		**(38,384,602)**	(18,479,236)
Gross profit		**19,264,171**	3,021,798
Other gains and losses	*5*	**(1,259,532)**	1,920,005
Administrative expenses		**(5,006,815)**	(1,985,768)
Impairment loss recognised in respect of goodwill	*10*	**(41,163,325)**	–
Other expenses		**(260,749)**	(255,183)
Finance costs	*6*	**(9,721)**	(39,114)
Share of results of joint ventures		**1,021,618**	2,028,361
Share of results of an associate		**42,228**	(118,107)
(LOSS) PROFIT BEFORE TAX	*7*	**(27,372,125)**	4,571,992
Income tax expense	*8*	**(4,062,584)**	(587,357)
(LOSS) PROFIT FOR THE YEAR		**(31,434,709)**	3,984,635
ATTRIBUTABLE TO			
Owners of the parent		**(38,989,860)**	3,982,201
Non-controlling interests		**7,555,151**	2,434
		(31,434,709)	3,984,635

* *For identification purpose only*

	Notes	**2017** *S$*	2016 *S$*
(LOSS) PROFIT FOR THE YEAR		**(31,434,709)**	3,984,635
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations:			
Exchange differences arising during the year		**(48,490)**	(1,498,545)
Reclassification of translation reserve upon disposal of foreign operations	*15*	**13,867**	–
Other comprehensive expense for the year, net of income tax		**(34,623)**	(1,498,545)
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR		**(31,469,332)**	2,486,090
ATTRIBUTABLE TO			
Owners of the parent		**(38,996,395)**	2,483,656
Non-controlling interests		**7,527,063**	2,434
		(31,469,332)	2,486,090
			(Restated)
(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (S$ cents)	*9*	**(5.02)**	0.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		2017	2016
	Notes	***S$***	*S$*
NON-CURRENT ASSETS			
Goodwill	*10*	**16,291,283**	57,354,883
Prepayments	*13*	**1,768,878**	4,665,245
Interests in joint ventures		**2,957,955**	4,596,337
Interests in an associate		**490,779**	448,551
Plant and equipment		**611,236**	515,477
Trade and other receivables	*11*	**2,470,373**	1,939,675
Total non-current assets		**24,590,504**	69,520,168
CURRENT ASSETS			
Gross amount due from customers for contract work in progress		**3,254,446**	2,534,536
Inventories		**17,704**	4,111,592
Trade receivables, deposits and other receivables	*11*	**36,394,266**	4,056,613
Profit guarantee receivable	*12*	**–**	8,949,777
Prepayments	*13*	**34,288**	6,793,574
Held-for-trading investments		**9,245,609**	5,756,891
Cash and cash equivalents		**17,165,860**	12,672,201
Total current assets		**66,112,173**	44,875,184
CURRENT LIABILITIES			
Income tax payable		**4,433,737**	570,227
Trade and other payables	*14*	**21,146,823**	14,771,758
Total current liabilities		**25,580,560**	15,341,985
NET CURRENT ASSETS		**40,531,613**	29,533,199
TOTAL ASSETS LESS CURRENT LIABILITIES		**65,122,117**	99,053,367

	Notes	**2017** ***S$***	2016 *S$*
NON-CURRENT LIABILITIES			
Trade and other payables	*14*	**44,168**	–
Interest-bearing borrowings		**–**	6,820,423
Deferred tax liabilities		**40,330**	795,315
Total non-current liabilities		**84,498**	7,615,738
NET ASSETS		**65,037,619**	91,437,629
EQUITY			
Share capital		**1,396,622**	1,261,436
Reserves		**55,495,881**	89,139,575
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**56,892,503**	90,401,011
Non-controlling interests		**8,145,116**	1,036,618
TOTAL EQUITY		**65,037,619**	91,437,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for held-for-trading investments and profit guarantee receivable (Note 12) which have been measured at fair value. These financial statements are presented in Singapore Dollars ("**S$**").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Joint Arrangements: Accounting for Acquisitions
IFRS 14	Regulatory Deferral Accounts
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements
Annual Improvements to IFRSs 2012-2014 Cycle	Amendments to a number of IFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[2]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
IFRS 17	Insurance Contract[1]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IFRS 40	Transfers of Investment Property[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to IFRS 12 included in Annual Improvements 2014-2016 Cycle	Disclosure of Interests in Other Entities[1]
Amendments to IFRS 1 included in Annual Improvements 2014-2016 Cycle	First-time Adoption of International Financial Reporting Standards[2]
Amendments to IAS 28 included in Annual Improvements 2014-2016 Cycle	Investments in associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 January 2017

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for annual periods beginning on or after 1 January 2019

[4] No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 *Financial Instruments*

The final version of IFRS 9 brings together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 July 2018. The Group is currently assessing the impact of the standard.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Amendments to IFRS 15 were issued to address the implement action issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 July 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 *Leases*

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 July 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 *Disclosure Initiative*

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 July 2017.

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 July 2017.

3. 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 (the "**engineering services**"); and

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

There were no inter-segment sales in both years.

Segment assets exclude unallocated head office and corporate assets such as held-for-trading investments, certain prepayments, deposits and other receivables and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities such as promissory notes payable and certain other payables as these liabilities are managed on a group basis.

Year ended 30 June 2017	**Engineering services** ***S$***	**Solar power business** ***S$***	**Total** ***S$***
Segment revenue:			
Sales to external customers	**25,042,872**	**32,605,901**	**57,648,773**
Segment results:	**1,981,852**	**(20,406,144)**	**(18,424,292)**
Unallocated gains			**743,738**
Corporate and other unallocated expenses			**(9,691,571)**
Loss before tax			**(27,372,125)**
Segment assets:	**24,852,677**	**50,480,947**	**75,333,624**
Corporate and other unallocated assets			**15,369,053**
Total assets			**90,702,677**
Segment liabilities:	**12,489,491**	**6,759,354**	**19,248,845**
Corporate and other unallocated liabilities			**6,416,213**
Total liabilities			**25,665,058**

Year ended 30 June 2016	Engineering services *S$*	Solar power business *S$*	Total *S$*
Segment revenue:			
Sales to external customers	21,501,034	–	21,501,034
Segment results:	3,902,051	(6,085)	3,895,966
Unallocated gains			2,479,158
Corporate and other unallocated expenses			(1,803,132)
Profit before tax			4,571,992
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

Other segment information	**Engineering services** *S$*	**Solar power business** *S$*	**Unallocated** *S$*	**Total** *S$*
Year ended 30 June 2017				
Depreciation	**88,624**	**1,608**	**117,937**	**208,169**
Capital expenditure	**1,423**	**19,608**	**434,684**	**455,715**
Impairment loss recognised in respect of goodwill	**–**	**41,163,325**	**–**	**41,163,325**
Fair value loss on profit guarantee receivable	**–**	**–**	**8,961,306**	**8,961,306**
Gain on disposal of subsidiaries	**–**	**4,622,458**	**–**	**4,622,458**
Gain on settlement of prepayments for acquisition of subsidiaries	**–**	**2,227,701**	**–**	**2,227,701**
Year ended 30 June 2016				
Depreciation	93,368	–	1,948	95,316
Capital expenditure	102,073	–	119,015	221,088
Fair value loss on profit guarantee receivable	–	–	642,877	624,877

Geographical information

(a) Revenue from external customers

	2017 *S$*	2016 *S$*
The PRC	**32,605,901**	–
Singapore	**25,042,872**	21,501,034
	57,648,773	21,501,034

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

(b) Non-current assets

	2017 *S$*	2016 *S$*
Hong Kong	**2,116,860**	122,748
Singapore	**5,990,245**	7,377,292
The PRC	**16,483,399**	62,020,128
	24,590,504	69,520,168

Information about major customers

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

	2017	2016
	S$	*S$*
Customer A[1]	**N/A[3]**	5,077,000
Customer B[1]	**N/A[3]**	2,865,000
Customer C[1]	**12,500,000**	3,112,000
Customer D[1]	**11,565,000**	9,136,000
Customer E[2]	**10,773,000**	N/A[3]

[1] Engineering services

[2] Solar power business

[3] Revenue from the customer is less than 10% of the total revenue of the Group.

4. REVENUE

Revenue represents an appropriate proportion of contract revenue of construction contracts; the value of goods sold during the year.

	2017	2016
	S$	*S$*
Contract revenue from provision of electrical engineering services	**25,042,872**	21,501,034
Contract revenue from provision of solar power business	**32,605,901**	–
	57,648,773	21,501,034

5. OTHER GAINS AND LOSSES

	2017	2016
	S$	*S$*
Foreign exchange differences	**600,164**	169,205
Bank interest income	**39,717**	5,080
Incentives from the Singapore Government *(note (a))*	**34,741**	67,142
Fair value gain on held-for-trading investments	**149,236**	2,315,440
Fair value loss on profit guarantee receivables *(Note 12)*	**(8,961,306)**	(642,877)
Gain on disposal of plant and equipment	**21,427**	2,415
Gain on disposal of subsidiaries *(Note 15)*	**4,622,458**	–
Gain on settlement of prepayments for acquisition of subsidiaries	**2,227,701**	–
Others	**6,330**	3,600
	(1,259,532)	1,920,005

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.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 ***S$***	2016 *S$*
Bank charges	**9,721**	39,114
Interest on interest-bearing borrowings	**2,215,267**	63,584
Total	**2,224,988**	102,698
Less: interest capitalised	**(2,215,267)**	(63,584)
	9,721	39,114

7. (LOSS) PROFIT BEFORE TAX

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

		2017 ***S$***	2016 *S$*
(a)	Cost of goods sold and services provided	**38,384,602**	18,479,236
	Auditors' remuneration	**416,627**	225,467
	Depreciation of plant and equipment	**208,169**	95,316
	Loss on plant and equipment written off	**96,643**	792
	Gain on disposal of plant and equipment	**(21,427)**	(2,415)
	Minimum lease payments under operating leases	**460,269**	383,167
	Legal and professional expenses	**311,789**	354,688
	Share-based payment expense in respect of consultancy services	**1,084,753**	–
	Employee benefits (Refer to (b) below)	**5,808,919**	4,503,097
(b)	Employee benefits (including Directors' remuneration):		
	– Directors' fees	**374,951**	211,048
	– Salaries, wages and bonuses	**4,936,899**	4,080,218
	– Pension scheme contributions	**217,133**	211,831
	– Share-based payment expense	**279,936**	–
		5,808,919	4,503,097
(c)	Fair value gain on held-for-trading investments	**(149,236)**	(2,315,440)
	Fair value loss on profit guarantee receivable *(Note 12)*	**8,961,306**	642,877

8. INCOME TAX EXPENSE

The Company's profit is not subject to any tax in its country of incorporation, the Cayman Islands. Income tax expense for the Group relates mainly to the assessable profits arising in Hong Kong subject to 16.5% tax rate in Hong Kong and profits of the subsidiary in Singapore which were taxed at a statutory tax rate of 17%. The corporate income tax has been provided for subsidiaries in the PRC based on assessable profits arising in the PRC during the year. Subsidiaries located in the PRC are subject to the PRC corporate income tax at a rate of 25% on its assessable profits.

	2017	2016
	S$	*S$*
Current – Singapore		
– Charge for the year	**110,913**	250,563
– (Over) under-provision in respect of previous years	**(13,020)**	4,206
Current – Others (the PRC and Hong Kong)		
– Charge for the year	**4,282,192**	319,664
– Over-provision in respect of previous years	**(319,664)**	–
Deferred		
– Origination and reversal of temporary differences	**2,163**	12,924
Total tax charge for the year	**4,062,584**	587,357

The Group is subject to PRC withholding tax of 10% on the gross interest income from its PRC subsidiaries to the Company.

According to the PRC EIT law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned from year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

9. (LOSS) EARNINGS PER SHARE

The weighted average number of equity shares refers to shares in issue during the year. The basic (loss) earnings per share are based on the weighted average number of ordinary shares outstanding during the year.

The calculation of basic (loss) earnings per share is based on:

	2017	2016
	S$	*S$*
(Loss) earnings		
(Loss) profit attributable to equity holders of the parent, used in the basic (loss) earnings per share calculation	**(38,989,860)**	3,982,201
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss) earnings per share calculation	**776,316,752**	659,879,443
		(Restated)
Basic (loss) earnings per share (S$ cents)	**(5.02)**	0.60

Basic (loss) earnings per share is the same as dilutive (loss) earnings per share, as the Group had no potentially dilutive ordinary shares (2016: Nil) in issue during the year.

The weighted average number of shares for the purpose of basic (loss) earnings per share for the years ended 30 June 2017 and 30 June 2016 has been adjusted and restated respectively with effect of the bonus element of the placing completed on 6 July 2017.

10. GOODWILL

	2017	2016
	S$	*S$*
Cost		
At the beginning of the year	**57,354,883**	–
Acquisition of subsidiaries at 27 May 2016	**–**	58,365,557
Exchange realignment	**155,540**	(1,010,674)
At the end of the year	**57,510,423**	57,354,883
Accumulated impairment loss		
At the beginning of the year	**–**	–
Impairment loss recognised during the year	**41,163,325**	–
Exchange realignment	**55,815**	–
At the end of the year	**41,219,140**	–
Net carrying amount at the end of the year	**16,291,283**	57,354,883

Impairment assessment

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

For the year ended 30 June 2017

The pre-tax discount rate applied to the cash flow projections is 22.96%. The projected sales of approximately Renminbi ("**RMB**") 1,900.0 million (equivalent to approximately S$386.7 million) under the agreement was allocated to each of the five years in the projection period based on management's judgement. The revenue amounts used in the valuation model for the periods beyond the five-year period, and hence the gross profit amounts, were extrapolated based on the forecasted revenue for the fifth year even though the agreement would be completed by the end of the five-year period.

For the year ended 30 June 2016

The pre-tax discount rate applied to the cash flow projections is 23.76%. The compound annual growth rate used to extrapolate the cash flows of the solor power industry for the first five-year period is 13.40%. The growth rate used to extrapolate the cash flows of the solar power industry beyond the five-year period is negative 5%.

Assumptions were used in the value in use calculation of the construction, operation and sale of solar power station projects cash-generating unit for 30 June 2017 and 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 reflected specific risks relating to the unit.

As the recoverable amount of the CGU was calculated to be lower than its carrying amount, an impairment loss of S$41,163,325 (2016: Nil) was recognised in the consolidated statement of profit or loss and other comprehensive income.

As the cash-generating unit has been reduced to its recoverable amount of S$16,291,283, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

11. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	2017 ***S$***	2016 *S$*
Trade receivables (non-current):		
Retention sum receivables *(note (a))*	**2,470,373**	1,871,675
Other receivables (non-current):		
Advances to staff *(note (b))*	**–**	68,000
Total trade and other receivables *(non-current)*	**2,470,373**	1,939,675
Trade receivables (current):		
Third parties	**16,692,098**	1,986,037
Retention sum receivables *(note (a))*	**2,929,075**	1,835,712
Bills receivables	**4,172,555**	–
	23,793,728	3,821,749
Other receivables (current):		
Advances to staff	**68,500**	87,257
Deposits	**118,899**	143,553
Others *(note (c))*	**12,413,139**	4,054
	12,600,538	234,864
Total trade receivables, deposits and other receivables *(current)*	**36,394,266**	4,056,613

Notes:

(a) Retention sum receivables refer to a retention sum which will be partially billed upon the practical completion of the Groups' 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 contracts' retention periods.

(b) 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.

(c) As at 30 June 2017, included in the other receivables an amount of S$5,488,119 and S$6,411,487, representing the consideration receivables for disposal of subsidiaries and the settlement of prepayments of acquisition of subsidiaries respectively, which are recoverable within one year from the date of reporting period.

Trade receivables

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 year, based on the invoice date, is as follows:

	2017	2016
	S$	*S$*
Less than 30 days	**1,049,476**	1,636,929
30 to 60 days	**8,337,172**	312,204
61 to 90 days	**5,466,983**	5,297
More than 90 days	**1,838,467**	31,607
	16,692,098	1,986,037

As at 30 June 2017 and 2016, the Group's trade receivables were not impaired. The aging analysis of the trade receivables (excluding retention sum receivables) that are neither individually nor collectively considered to be impaired is as follows:

	2017	2016
	S$	*S$*
Neither past due nor impaired	**1,049,476**	1,636,929
Less than 30 days past due	**8,337,172**	312,204
30 to 60 days past due	**5,466,983**	5,297
More than 60 days past due	**1,838,467**	31,607
	16,692,098	1,986,037

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experiences, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the customers and the balances are still considered to be fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

12. PROFIT GUARANTEE RECEIVABLE

	S$
Profit guarantee receivable recognised at acquisition date of 27 May 2016	**9,592,654**
Fair value loss on profit guarantee receivable *(Notes 5 and 7(c))*	**(642,877)**
At 30 June 2016 and 1 July 2016	**8,949,777**
Fair value loss on profit guarantee receivable *(Notes 5 and 7(c))*	**(8,961,306)**
Exchange realignment	**11,529**
At 30 June 2017	**–**

At 30 June 2016, the fair value of the profit guarantee receivable was determined by an independent professionally qualified appraiser, at RMB44,090,000 (equivalent to S$8,949,777).

During the year ended 30 June 2017, a fair value loss on profit guarantee receivable of S$8,961,306 has been recognised in profit or loss, based on the actual performance of the Kahuer Group including the gain on settlement of prepayment for acquisition of subsidiaries, upon the end of profit guarantee period.

13. PREPAYMENTS

	2017	2016
	S$	*S$*
Prepayments (non-current):		
Prepayment for acquisition of subsidiaries	**–**	4,665,245
Prepayment for acquisition of properties *(note (a))*	**1,768,878**	–
	1,768,878	4,665,245
Prepayments *(current) (note (b))*	**34,288**	6,793,574
Total prepayments	**1,803,166**	11,458,819

Notes:

(a) At 30 June 2017, included in the prepayments is an amount of S$1,768,878 for acquisition of properties in Taiwan.

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

14. TRADE AND OTHER PAYABLES

	2017	2016
	S$	*S$*
Trade and other payables (non-current):		
Retention sum payables	**44,168**	–
Trade payables (current):		
Third parties	**2,992,211**	1,019,300
Retention sum payables	**529,202**	–
	3,521,413	1,019,300
Accruals for project costs (current)	**10,536,103**	5,337,512
Other payables (current):		
Promissory notes payable	**6,022,421**	6,022,421
Accrued liabilities	**626,652**	511,159
GST payable	**201,850**	238,268
Due to related parties	**165,366**	1,565,541
Others	**73,018**	77,557
	7,089,307	8,414,946
Total trade and other payables (current)	**21,146,823**	14,771,758

Accrued liabilities refer mainly to accrual for professional fees and employee benefits.

Trade payables/other payables

These amounts are non-interest bearing. Trade payables (excluding retention sum payables) are normally settled on terms of 30 to 90 days while other payables have an average term of 30 days.

An aging analysis of the trade payables (excluding retention sum payables) as at the end of the year, based on the invoice date, is as follows:

	2017	2016
	S$	*S$*
Trade payables:		
Less than 90 days	**2,992,211**	1,019,300
90 to 180 days	**–**	–
	2,992,211	1,019,300

15. DISPOSAL OF SUBSIDIARIES

On 12 May 2017, Loydston International Limited, a subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest of 開合新能源（鎮江）有限公司(Kaihe New Energy (Zhenjiang) Company Limited*) and its subsidiaries (the "Disposal Group") at a consideration of RMB30,000,000 (equivalent to approximately S$6,097,910).

The disposal was completed on 25 May 2017. Net assets of the Disposal Group as at the date of disposal were as follows:

	S$
Plant and equipment	17,006
Inventories– materials	7,619,783
Inventories – contracts	3,011,606
Trade receivables, deposits and other receivables	6,973,742
Prepayments	9,860,930
Cash and cash equivalents	26,197
Trade and other payables	(7,018,927)
Income tax payables	(24,051)
Deferred tax liabilities	(752,901)
Interest-bearing borrowings	(17,277,411)
Net assets disposed of	2,435,974
Total Consideration:	
Consideration received in cash and cash equivalents	609,791
Consideration receivable	5,488,119
Total consideration	6,097,910
Gain on disposal of subsidiaries *(Note 5)*:	
Total consideration	6,097,910
Net assets disposed of	(2,435,974)
Non-controlling interests	974,389
Release of cumulative exchange differences on translation of foreign operations	(13,867)
	4,622,458
Net cash inflow arising on disposal:	
Consideration received	609,791
Cash and cash equivalents disposed of	(26,197)
	583,594

* *For identification purpose only.*

BUSINESS REVIEW

The financial year ended 30 June 2017 continued to be filled with challenges. The solar power business, which was acquired in May 2016, has made significant contribution of 56.6% in terms of revenue to the Group while the electrical engineering services in Singapore has also contributed 43.4% of the Group's revenue in the financial year ended 30 June 2017.

Solar Power Business

The Group commenced the business of construction, operation and sale of solar power station projects in the Peoples' Republic of China (the "**PRC**") through the acquisition of 60% equity interest (the "**Acquisition**") in Kahuer Holding Co., Limited ("**Kahuer**") and its subsidiaries (together referred to as the "**Kahuer Group**"), which was completed on 27 May 2016, at a consideration of HK$450,000,000.

Pursuant to the sale and purchase agreement for the Acquisition (the "**Agreement**"), Eternal Green Group Holding Limited (the "**Vendor**"), being the vendor under the Agreement, agreed to assist the Kahuer Group to complete 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 the Kahuer Group (the "**Reorganisation**") within six months after the completion of the Acquisition or such later date as the parties may mutually agree. On 27 November 2016, the parties to the Agreement mutually agreed to extend the deadline for the Reorganisation to take place on or before 27 February 2017. Finally, a supplemental agreement (the "**Supplemental Agreement**") was entered into on 13 April 2017, whereby the parties to the Supplemental Agreement agreed not to proceed with the Reorganisation. Instead, the Vendor would (i) procure the sale of the entire registered capital of Chengle Zhongxing and Qingdao Qiguang to a third party; (ii) procure the third party to arrange with the sole shareholder of Qingdao Qiguang for the release of the charge on the entire equity interests of Qingdao Qiguang and 70% equity interests of Chengle Zhongxing to secure a loan granted to the sole shareholder of Qingdao Qiguang; and (iii) direct the third party to pay the entire consideration to the Group on or before 30 April 2017 and the Group is entitled to receive such consideration as its income. The Reorganisation (as revised pursuant to the Supplemental Agreement) concluded with the sale of the entire registered capital of Chengle Zhongxing and Qingdao Qiguang to a third party completed on 13 April 2017 at an aggregate consideration of RMB35,000,000.

In addition, under the Agreement and the Supplemental Agreement, the Vendor irrevocably warrants and guarantees to the Group that the consolidated profit before tax of the Kahuer Group will not be less than RMB120,000,000 for the period ending on the date falling twelve months after the completion of the Acquisition, which has been met subsequently by the Kahuer Group.

* *For identification purpose only*

On the other hand, the Group completed the disposal of the entire registered capital of 開合新能源（鎮江）有限公司 (Kaihe New Energy (Zhenjiang) Company Limited*) ("**Kaihe New Energy**") at a total consideration of RMB30,000,000 on 25 May 2017 (the "**Disposal**"). Kaihe New Energy and its subsidiaries is principally engaged in (a) construction of solar power station; (b) sale of solar power station; and (c) provision of management and maintenance services to solar power station. The Disposal has contributed a net profit of approximately S$4.6 million to the Group for the financial year ended 30 June 2017.

Further to the Disposal mentioned above, the Group had only one construction project for solar power stations on hand as at 30 June 2017. Subsequent to 30 June 2017, the Group has entered into a purchase agreement for the design, supply and installation of solar photovoltaic parts and equipment amounting to RMB1.9 billion (equivalent to approximately S$386.7 million) for a 3 years' period up to 1 June 2020. The Directors will continuously develop the solar power business and strive to maximise the return to the shareholders of the Company.

The audit committee of the Board agreed with the external auditor's view of disclaimer of opinion regarding the consolidated financial statements of the Group for the financial year ended 30 June 2017. The Board will maintain a regular dialogue with the auditor about the further development of the solar power business, the Board has confidence to provide more audit evidence to the auditor to address the disclaimer of opinion,

Electrical Engineering Services

For the financial year ended 30 June 2017, the electrical engineering services in Singapore recorded a revenue of approximately S$25.0 million which represents an increase of approximately 16.5% over that of approximately S$21.5 million for the financial year ended 30 June 2016. This is mainly attributable to a higher percentage of work completed in certain large scale projects during the financial year ended 30 June 2017.

During the financial year ended 30 June 2017, the Group completed 3 projects (2016: 2 projects), all of which (2016: 1) are public residential projects. Due to keen competition in the market, the Group did not secured new projects in the financial year ended 30 June 2017 (2016: nil).) As at 30 June 2017, the value of the outstanding contracts to be completed was S$15.6 million (2016: S$40.5 million) and all the 6 contracts on hand (2016: 9) related to public residential projects.

* *For identification purpose only*

BUSINESS PROSPECT

Looking forward, it is anticipated that the business environment for the Group continues to be challenging in the light of keen competition and inflating costs. Given the demand in public housing development in Singapore and the uncertainty of the solar power business in the PRC, a stable outlook for 2017/2018 is expected. The Group will continue to leverage its resources to improve the profitability and simultaneously take prudent measures to control the operating costs.

On 16 June 2017, the Company announced that the Group entered into a provisional agreement in relation to the acquisition of properties for a purchase price of HK$30 million. The properties are two five-storey buildings situated at Hsinchu County in Taiwan. An initial deposit of HK$10 million has been paid by the Group upon signing of the provisional agreement and the remaining balance in the amount of HK$20 million will be payable in accordance with the terms of a formal agreement which is expected to be entered into within 90 days after the signing of the provisional agreement. As of the date of this report, the formal agreement has not been signed.

It is intended that the properties will be used for investment purposes and the Group may benefit from any long term capital gain if the properties appreciate in value in the future. The acquisition of properties represents an attractive investment opportunity for the Group and gives room for the development of the Group's operations in Taiwan. Should the Group develop its business in Taiwan, the properties may be used by the Group as its office premises in Taiwan and will enable the Group to save rental expenses.

Whilst the Group remains focused on developing its existing businesses, it has been the business strategy of the Group to proactively seek potential investment opportunities in order to enhance the value of the shareholders of the Company. The Directors consider that it will be beneficial for the Group to seek suitable investment opportunity from time to time to expand and diversify its existing business portfolio into business area with growth potential and to broaden its source of income.

FINANCIAL REVIEW

The Group's revenue increased substantially by 168.1% from approximately S$21.5 million for the financial year ended 30 June 2016 to approximately S$57.6 million for the financial year ended 30 June 2017. Loss and loss per share for the year ended 30 June 2017 amounted to approximately S$31.4 million and S$5.02 cents respectively compared to the profit and restated earnings per share amounting to approximately S$4.0 million and S$0.60 cent respectively for the financial year ended 30 June 2016.

Financial Results

Revenue

For the financial year ended 30 June 2017, revenue of the Group comprises of revenue generated from the following two business segments of the Group:

Solar Power Business

The year ended 30 June 2017 is the first financial year in which the solar power business generated revenue for the Group since the business operation was acquired in May 2016. As a matter of fact, it is encouraging to see that an amount of approximately S$32.6 million was recognized in its first year of operation.

Electrical Engineering Services

For the financial year ended 30 June 2017, this business segment recorded a revenue of approximately S$25.0 million, which represents an increase of 16.5% from approximately S$21.5 million for the financial year ended 30 June 2016. This is mainly attributable to the fact that certain on-going projects experienced a slowdown in worksite schedule in prior years have accelerated the work progress in the financial year ended 30 June 2017 and hence, more projects with significant percentage of completion was recognized, which boosted up the revenue as compared to the last financial year.

Operating results

Gross profit margin of the Group increased by 19.3% from 14.1% for the financial year ended 30 June 2016 to 33.4% for the financial year ended 30 June 2017. The uplift in gross profit margin was mainly generated from the solar power business which can fetch a higher gross profit margin than that of the electrical engineering services. The increase in gross profit margin was nevertheless alleviated by the drop in the gross profit margin of the electrical engineering services by about 6.5% from 14.1% for the financial year ended 30 June 2016 to that of about 7.6% for the financial year ended 30 June 2017. Due to keen competition in the market, the electrical engineering projects undertaken by the Group experienced a decreasing trend in respect of the gross profit margin over the past two years.

The operating results of the Group has turned around from a profit of approximately S$4.0 million for the financial year ended 30 June 2016 to a loss of approximately S$31.4 million for the financial year ended 30 June 2017. This substantial adverse change is primarily attributable to the impairment loss of approximately S$41.2 million on goodwill relating to the solar power business taking into account the cash flow projections of the cash generating unit of the solar power business for the next five year.

Other Gains and Losses

Other gains and losses has also experienced sharp adverse change from a net gain of approximately S$1.9 million for the financial year ended 30 June 2016 to a net loss of approximately S$1.3 million for the financial year ended 30 June 2017. This is mainly the result of the following significant items;

1) Fair value loss of approximately S$9.0 million on profit guarantee receivable due to the fulfilment of the profit guarantee arising from the Acquisition;

2) Gain of approximately S$4.6 million arising from the Disposal; and

3) Gain of approximately S$2.2 million relating to settlement of prepayments for acquisition of subsidiaries.

Administrative Expenses

Administrative expenses for the financial year ended 30 June 2017 increased substantially by 152.1% to approximately S$5.0 million (2016: S$2.0 million). This is primarily attributable to:(i) legal and professional fees in relation to the Acquisition and Disposal; (ii) share option expense in relation to the share options granted in May 2017; (iii) additional expenses relating to removal of office premise in Hong Kong; and (iv) a full year's administration expenses of the solar power business being accounted for in the financial year ended 30 June 2017 as this business segment was only acquired in May 2016.

Impairment Loss Recognised in respect of Goodwill

In light of the cash flow projections of the solar power business for the next five years, the recoverable amount of the goodwill in relation to the solar power business at 30 June 2017 was determined to be approximately S$16.3 million taking into account the valuation performed by an independent professional valuer. Accordingly, an impairment loss of approximately S$41.2 million was recognized. Details of the goodwill were set out in note 10 to the consolidated financial statements.

Other Expenses

Other expenses increased slightly by approximately 2.2% from S$255,183 for the financial year ended 30 June 2016 to S$260,749 for the financial year ended 30 June 2017. There was no notable movements for individual items in this expense category.

Share of Results of Joint Ventures

The Group's share of results of joint ventures decreased substantially by 49.6% to approximately S$1.0 million (2016: approximately S$2.0 million) for the financial year ended 30 June 2017 mainly due to delays and extensions of nearly completed or completed projects in the current financial year. The extensions have caused an increase in overheads thus affecting the gross profit margin.

Share of Results of an Associate

The associate has shared a profit of S$42,228 (2016: loss of S$118,107) mainly due to the new projects secured during the financial year and the on-going projects were relatively small scale with lesser amount of work required.

Income Tax Expense

Income tax expense increased substantially by 591.7% from S$587,357 for the financial year ended 30 June 2016 to approximately S$4.1 million for the financial year ended 30 June 2017. This is primarily attributable to the income tax expense charged on the assessable profit generated from the solar power business.

Employment and Remuneration Policy

As at 30 June 2017, total number of employees of the Group was 173 (2016: 193). During the financial year ended 30 June 2017, employees costs (including Directors' emoluments) amounted to approximately S$5.8 million (2016: S$4.5 million). Remuneration of the employees which included salary, discretionary bonus and share-based incentives was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to qualified personnel.

Financial Position

As at 30 June 2017, total assets of the Group were approximately S$90.7 million (30 June 2016: S$114.4 million), representing a decrease of 20.7% as compared with that of 2016. In particular, non-current assets decreased by 64.6% to approximately S$24.6 million (30 June 2016: S$69.5 million), whereas current assets increased by 47.3% to approximately S$66.1 million (30 June 2016: S$44.9 million).

The significant decrease in non-current assets is mainly attributable to the impairment loss of approximately S$41.2 million on goodwill relating to the solar power business, which has led to the substantial write down of the fair value of goodwill from approximately S$57.5 million as at 30 June 2016 to approximately S$16.3 million as at 30 June 2017. In addition, the prepayment of approximately S$4.7 million for acquisition of subsidiaries as at 30 June 2016 charged to the profit or loss on disposal of the subsidiaries also accounted for the reduction in non-current assets. On the other hand, the substantial increase in trade receivables of approximately S$20.0 million from approximately S$3.8 million as at 30 June 2016 to approximately S$23.8 million as at 30 June 2017, which is primarily related to the solar power business, has strengthened up the current assets of the Group.

As at 30 June 2017, total liabilities of the Group amounted to approximately S$25.7 million (30 June 2016: S$23.0 million), an increase of 11.8% as compared with that of 2016. In particular, current liabilities increased by 66.7% to S$25.6 million (30 June 2016: S$15.3 million), whereas non-current liabilities reduced by 98.9% to S$84,498 (30 June 2016: approximately S$7.6 million). The increase in current liabilities is mainly due to the increase in accrued charges for project costs of approximately S$5.2 million in respect of the electrical engineering services and the increase in income tax payable of approximately S$3.9 million due to the income tax expense charged on the assessable profit generated from the solar power business. On the other hand, the drastic reduction in non-current liabilities was resulted from the reduction of the interest-bearing borrowings of approximately S$6.8 million due to the Disposal.

Total equity of the Company reduced by 28.9% to approximately S$65.0 million as at 30 June 2017 (30 June 2016: S$91.4 million). This is primarily resulted from the total comprehensive loss with a substantial amount of approximately S$31.4 million for the financial year ended 30 June 2017 charged to the total equity.

Liquidity, Financial Resources and Gearing

As at 30 June 2017, the Group maintained net current assets of approximately S$40.5 million (30 June 2016: S$29.5 million). Besides, the Group maintained cash and cash equivalents of approximately S$17.2 million, of which 22.6% and 77.4% were denominated in Hong Kong dollars and Singapore dollars respectively (30 June 2016: S$12.7 million, of which 64.4% and 29.4% were denominated in Hong Kong dollars and Singapore dollars respectively).

As at 30 June 2017, the Group had no interest-bearing borrowings (30 June 2016: approximately S$6.8 million). The Group's gearing ratio was 7.1% (30 June 2016: 9.9%), 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.

Charge on Assets

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

During the financial year ended 30 June 2016, the Group obtained a borrowing amounting to RMB35 million (equivalent to approximately S$6.8 million) (the "**Borrowing**") from an independent third party. The Borrowing was secured by way of a pledge over (i) 35% shareholding interests in 鎮江開合光伏發電有限公司 (Zhenjiang Kaihe Photovoltaic Power Company Limited*) ("**Zhenjiang Kaihe**"), which was held by the Group as to its 60% equity interest; and (ii) the assets of Zhenjiang Kaihe. In addition, the Group was committed to purchase raw materials from a supplier amounting to RMB4.5 million (equivalent to approximately S$934,000). The purchase was secured by way of a pledge over 45% share interest in 盱眙盛能新能源有限公司 (**Xuyi Shengneng New Energy Company Limited***), which was also held by the Group as to its 60% equity interest. The Group was effectively released from all of these charges upon completion of the Disposal.

Capital Structure

On 15 May 2017, the Board granted an aggregate of 76,000,000 share options to the grantees to subscribe for up to 76,000,000 ordinary shares of the Company at an exercise price of HK$0.305 per share, details of which were set out in the Company's announcement dated 15 May 2017. All the options granted were accepted and subscribed by the grantees and as a result, the capital base of the Company were further strengthened by HK$23.18 million, being the proceeds received from the exercise of the share options.

* *For identification purpose only*

On 20 June 2017, the Company entered into a placing agreement (the "**Placing Agreement**") with Pinestone Securities Limited, pursuant to which Pinestone Securities Limited agreed to place 152,000,000 new shares of the Company to not less than six placees on a best effort basis at a placing price of HK$0.266 per placing share (the "**Placing**"). The Placing was completed on 6 July 2017 and 152,000,000 new shares of the Company with an aggregate nominal value of HK$1.52 million were allotted and issued by the Company to not less than six placees who were independent individuals, corporations and/or institutional investors, who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons.

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

The Placing was conducted by the Company to raise additional funding for the business operations of the Group and strengthen the financial position of the Group for future development. The net proceeds amounting to approximately HK$39.7 million arising from the Placing was applied as to (i) HK$20 million to finance the acquisition of two five-storey buildings situated in Taiwan; (ii) approximately HK$19.7 million as general working capital of the Group.

As at 30 June 2017, the Company had 836,000,000 (30 June 2016: 760,000,000) shares in issue.

Exposure to Fluctuation in Exchange Rates

The Group's business mainly operates in Singapore and the PRC, accordingly its revenue and transactions arising from its operations are generally settled in Singapore dollars and Renminbi whereas the bank balance of the Company is principally denominated in Singapore dollars and Hong Kong dollars. As a result, fluctuations in the value of Singapore dollars and Renminbi against Hong Kong dollars can adversely affect the cash and cash equivalent which is reported in Singapore dollars. During the financial year ended 30 June 2017, the Group did not experience 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 year and there were no hedging instruments outstanding as at 30 June 2017. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

Capital Expenditure and Commitments

During the financial year ended 30 June 2017, the Group had capital expenditure of S$455,715 (2016: S$221,088).

As at 30 June 2017, the Group had commitments contracted for but not provided in the consolidated financial statements amounting to approximately S$3.5 million (30 June 2016: Nil) in respect of acquisition of properties.

Contingent Liabilities

As at 30 June 2017, the Group had security bonds to the Singapore Government amounting to S$615,000 (30 June 2016: S$730,000) in relation to foreign workers.

Significant Investments

During the financial year ended 30 June 2017, the Group acquired certain listed securities as held-for-trading investments.

The Group identified its investments based on the share price performance and future prospect of the investments. For the financial year ended 30 June 2017, the Group received dividend income of S$2,727 (2016: Nil) from investment in listed securities and made a fair value gain of S$149,236 (2016: S$2.3 million) on held-for-trading investments. This fair value gain is mainly the combination effect of: (i) increase in share price of 264.7% of Chi Ho Development Holdings Limited ("**Chi Ho**") since its acquisition by the Group on 22 March 2017; (ii) increase in share price of 196.3% of Li Bao Ge Group Limited ("**Li Bao Ge**") since its acquisition by the Group on 14 November 2016; and (iii) decrease in the share price of Pinestone Capital Limited ("**Pinestone**") of 67.9% during the year. The Group also acquired the shares in China Baoli Technologies Holdings Limited ("**China Baoli**") and Heng Tai Consumables Group Limited ("**Heng Tai**") during the financial year ended 30 June 2017.

Details of all the held-for-trading investments are as follows:

Stock code	Company Name	Percentage of shareholding as at		Market value as at	Approximate percentage to the Group's net assets as at	Market value as at	Approximate percentage to the Group's net assets as at	Change in fair value of held-for-trading investments for the years ended		Approximate percentage of change in fair value of held-for-trading investments for the years ended	
		30 June 2017	30 June 2016	30 June 2017	30 June 2017	30 June 2016	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
				S$		S$		S$	S$		
164	China Baoli	0.072%	–	828,047	1.27%	–	–	(52,331)	–	(5.94)%	–
197	Heng Tai	0.555%	–	601,419	0.92%	–	–	8,766	–	1.48%	–
804	Pinestone	0.741%	0.741%	1,867,228	2.87%	5,756,891	6.30%	(3,956,834)	2,315,440	(67.94)%	67.28%
8102	Li Bao Ge	0.229%	–	2,654,379	4.08%	–	–	1,758,449	–	196.27%	–
8423	Chi Ho	1.863%	–	3,294,536	5.07%	–	–	2,391,186	–	264.70%	–
				9,245,609	14.21%	5,756,891	6.30%	149,236	2,315,440	1.64%	67.28%

China Baoli is principally engaged in mobile technologies business, tourism and hospitality business, gamma ray irradiation services, and securities trading and investment. Although China Baoli recorded a loss for the financial year ended 31 March 2017, they intends to develop investment and fund management business. Their goal is to generate stable fee based income and performance based revenue. In the long run, the Group believes that China Baoli will continue to diversify its existing business so as to achieve better growth potential and generating promising returns to the shareholders.

Heng Tai is principally engaged in (i) trading of packaged foods, beverages, household consumable products, cold chain products and cosmetics and skincare products; (ii) trading of agri-products and upstream farming business; and (iii) provision of cold chain logistics services and value-added post-harvest food processing. Although Heng Tai recorded a loss for the financial year ended 30 June 2016, they will continue to strengthen the traditional trading business by enhancing product portfolio and sales channels as well as investing in appropriate logistics facilities to support the trading business. They will also continue to adopt stable and reasonable pricing strategy so as to improve the gross profit margin despite the deteriorating operating environment.

Pinestone is a Hong Kong-based financial services provider principally engaged in provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services. The profit for the financial year ended 31 December 2016 of Pinestone is approximately HK$27.6 million, which has increased by approximately HK$12.2 million compared to that of the previous year. Furthermore, Pinestone has successfully transferred its shares from being listed on the Growth Enterprise Market to the Main Board of the Stock Exchange on 8 June 2017. The Company is optimistic on the prospect of Pinestone and the securities industry in Hong Kong.

Li Bao Ge is principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and the PRC. The profit for the financial year ended 31 December 2016 of Li Bao Ge is approximately HK$9.5 million, which has increased by approximately HK$3.2 million compared to that of the previous year. The Company is optimistic on the prospect of the food and beverage industry in Hong Kong and the PRC.

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

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

Save for the abovementioned and the Group's interests in joint ventures, associate and subsidiaries, there was no other significant investment held as at 30 June 2017 and 2016.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 25 May 2017, the Group completed the Disposal at a total consideration of RMB30 million (equivalent to approximately S$6.1 million), details of which were set out in note 29 to the consolidated financial statements.

On 27 May 2016, the Group acquired 60% equity interests in Kahuer Holding Co., Limited and its wholly-owned subsidiaries at a consideration of HK$450 million (equivalent to approximately S$79.7 million) in accordance with the Agreement. Details of the Acquisition were set out in note 28 to the consolidated financial statements.

Save for the abovementioned, there were no other material acquisitions or disposals of subsidiaries and associated companies during the two financial years ended 30 June 2017.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

BASIS FOR DISCLAIMER OF OPINION

Acquisition of Kahuer Holding Co., Limited

As disclosed in Note 28 to the consolidated financial statements, on 27 May 2016, the Group acquired 60% equity interest in Kahuer Holding Co., Limited ("**Kahuer**") at an aggregate consideration of approximately HK$420 million (equivalent to S$74,394,615) (the "**Acquisition**"). Kahuer and its subsidiaries (hereinafter collectively referred as the "**Kahuer Group**") are principally engaged in the construction, operation and sale of solar power station projects in the People's Republic of China (the "**PRC**"). Management considered that the Acquisition was a business combination.

During the course of the preparation of the consolidated financial statements of the Group for the financial year ended 30 June 2016, the directors of the Company had engaged an independent external professional valuer to assist them in preparing a cash flow forecast of the Kahuer Group projects based on financial budgets covering a five-year period (the "**Forecast**") to determine the fair values of the identifiable assets and liabilities of the Kahuer Group for the purpose of purchase price allocation at the date of Acquisition. The same forecast was used by the management of the Group for the purpose of year end impairment testing for the year ended 30 June 2016.

1. Opening balances and corresponding figures

The consolidated financial statements of the Group for the year ended 30 June 2016, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, were not audited by us. The predecessor auditors' audit opinion on the consolidated financial statements of the Group for the year ended 30 June 2016 was disclaimed because of the significance of the possible effects of the limitation on the scope of the audit in relation to the Acquisition, as described in paragraphs (2) to (6) below. As stated in their auditors' report, the Kahuer Group was established less than one year as at 30 June 2016 and did not have any sales transactions since its establishment. There was no other reliable data available from other sources alternatively. In the absence of historical information and reliable documents supporting the inputs and assumptions used in the preparation of the Forecast, the predecessor auditors were unable to evaluate the reasonableness of the Forecast.

Details of the matters that gave rise to the disclaimer of opinion were set out in the independent auditors' report dated 20 December 2016 included in the Company's annual report for the year ended 30 June 2016.

The opening balances as at 1 July 2016 of the assets and liabilities which were the subject matters of the predecessor auditors' disclaimer of opinion enter into the determination of the financial performance and cash flows of the Group for the current financial year and have carryforward effects on the closing balances as at 30 June 2017. We were not able to obtain sufficient appropriate audit evidence to enable us to assess the effects of the matters to which the limitation of scope for the year ended 30 June 2016 relate. Any adjustments found to be necessary to the opening balances as at 1 July 2016 may affect the balance of retained profits as at 1 July 2016, the Group's results for the year ended 30 June 2017, the closing balances as at 30 June 2017 and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 30 June 2017. Accordingly, we were unable to determine whether adjustments might have been necessary in respect of the financial performance of the Group for the year ended 30 June 2017 reported in the consolidated statement of profit or loss and other comprehensive income, the cash flows from operating activities reported in the consolidated statement of cash flows and the financial position of the Group as at 30 June 2017 reported in the consolidated statement of financial position as at 30 June 2017, and the possible effects of these matters on the comparability of the current period's figures and the corresponding figures.

2. *Identifiable assets and liabilities of the Kahuer Group*

As referred to in Note 28 to the consolidated financial statements, included in the purchase price allocation were inventories of approximately S$3.5 million which were stated at fair value as at the date of the Acquisition. Management determined the projected margin of these inventories based on the Forecast and derived the respective fair value. Deferred tax liabilities of approximately S$0.8 million was recognised which arose from the difference between the fair value and the carrying value of these inventories. Consequently, non-controlling interest of approximately S$1.0 million, being 40% of the net assets less liabilities of the Kahuer Group at the date of acquisition, and the goodwill of approximately S$58.4 million, being the residual value from the purchase price allocation, were recognised as at 27 May 2016.

Due to the scope limitations encountered by the predecessor auditors in ascertaining the reasonableness of the Forecast in the previous year, we were unable to carry out alternative audit procedures we considered necessary to satisfy ourselves as to whether the purchase price allocation referred to above were appropriately stated. Any adjustments found to be necessary to the opening balances as at 1 July 2016 may affect the balance of retained profits as at 1 July 2016, the Group's results for the year ended 30 June 2017, closing balances as at 30 June 2017 and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 30 June 2017.

3. *Impairment assessment of goodwill*

As detailed in Note 12 to the consolidated financial statements, included in the consolidated statement of financial position of the Group was goodwill of gross carrying amount of approximately RMB282.6 million (equivalent to approximately S$57.5 million) as at 30 June 2017 (2016: approximately S$57.4 million) which arose from the Acquisition as stated in Note 28. In the preceding financial year, the management of the Group performed impairment assessment on this goodwill by comparing its carrying value to the respective recoverable amount of solar power station project cash generating unit and concluded that the goodwill was not impaired. As the recoverable amount was determined from the Forecast, for which the predecessor auditors were unable to evaluate the reasonableness thereof, the predecessor auditors were unable to ascertain whether the recoverable amount was reliably determined and whether the goodwill was impaired as at 30 June 2016. In the current financial year, the management of the Group performed impairment assessment on the goodwill based on valuation report prepared by an independent external professional valuer. Provision for impairment losses amounting to approximately RMB202.5 million (equivalent to approximately S$41.2 million) was made on the goodwill during the year ended 30 June 2017 as a result of the impairment assessment.

We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that certain key assumptions adopted in the valuation of the value in use of the cash generating unit referred to above were reasonable and supportable. As disclosed in Note 12 to the consolidated financial statements, the forecasted revenue amounts during the cash flow projection period of five years were estimated by management of the Group based on an agreement newly signed with a new customer. There was no sufficient historical operating data to support the assumptions relating to gross profits achievable under the agreement. Further, we are unable to satisfy ourselves about the sustainability of the revenue and gross profit streams as the entering into of the agreement was not a recurring event of the Group. In the absence of sufficient appropriate evidence regarding whether the key assumptions adopted were reasonable and supportable, we were unable to satisfy ourselves as to the appropriateness and sufficiency of the amount of impairment loss on the goodwill recognised in the consolidated financial statements.

Due to the scope limitations in the current and previous years, we were unable to carry out sufficient appropriate audit procedures we considered necessary to satisfy ourselves as to whether the balance of the goodwill as at 30 June 2017 and the related impairment loss for the year ended 30 June 2017 were free from material misstatement and fairly stated. Further, any adjustments found to be necessary to the opening balance of the goodwill as at 1 July 2016 may affect the balance of retained profits as at 1 July 2016, the Group's results for the year ended 30 June 2017, closing balance as at 30 June 2017 and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 30 June 2017.

4. *Fair value of profit guarantee receivable*

As described in Note 19, included in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017 is a loss from change in fair value of profit guarantee receivable of approximately RMB44.1 million (equivalent to approximately S$9.0 million). The fair values of the profit guarantee receivable as at the date of the Acquisition and 30 June 2016 were derived from the same data input used in the Forecast but a different methodology model was applied. In the absence of historical information and reliable documents supporting the inputs used in the preparation of the Forecast, the predecessor auditors were unable to ascertain the reasonableness of this profit guarantee receivable.

In the current financial year, the profit guarantee receivable was carried at its fair value, which was determined to be S$Nil based on the actual performance of the Kahuer Group, including the gain on settlement of long-term prepayments for acquisition of subsidiaries, as the period covered by the profit guarantee had already ended. In view of the scope limitations described above, we were unable to carry out alternative audit procedures we considered necessary to satisfy ourselves as to whether the opening balance of the profit guarantee receivable was free from material misstatement. Any adjustments found to be necessary to the opening balance as at 1 July 2016 may affect the balance of retained profits as at 1 July 2016, the loss from change in fair value of profit guarantee receivable included in the Group's results for the year ended 30 June 2017 and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 30 June 2017.

5. *Gain on settlement of prepayments for acquisition of subsidiaries*

As described in the Note 6, included in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017 is a gain on settlement of prepayment for acquisition of subsidiaries of approximately RMB12.0 million (equivalent to approximately S$2.2 million). The prepayments for acquisition of subsidiaries was arising from the Acquisition during year ended 30 June 2016 as stated in Note 28. As stated in the predecessor auditors' audit report, the carrying amount of the long-term prepayments for acquisition of subsidiaries as at 30 June 2016 was determined on the basis of provisional allocation made by directors of the Company of the consideration of the Acquisition by reference to the Forecast using the attributable data input of the two entities concerned in the Forecast. In the absence of historical information and reliable documents supporting the inputs used in the preparation of the Forecast, the predecessor auditors were unable to ascertain whether the allocation basis was appropriate and consequently whether the long-term prepayments for acquisition of subsidiaries were appropriately stated.

Due to the scope limitations in the previous year's audit, we were unable to carry out alternative audit procedures we considered necessary to satisfy ourselves as to whether the gain on settlement of long-term prepayments for acquisition of subsidiaries was free from material misstatement and fairly stated. Any adjustment found to be necessary to the opening balance as at 1 July 2016 may affect the balance of retained profits as at 1 July 2016, the Group's results for the year ended 30 June 2017 and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 30 June 2017.

6. Gain on disposal of subsidiaries

As described in the Note 29, included in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017 is a gain on disposal of subsidiaries of approximately RMB22.7 million (equivalent to S$4.6 million). The net assets of the subsidiaries disposed of included inventories – contract of approximately RMB14.9 million (equivalent to S$3.0 million) which were arising from the Acquisition during year ended 30 June 2016 as stated at Note 28 and deferred tax liabilities of approximately RMB3.7 million (equivalent to S$0.8 million) which was recognised in respect of the difference between the fair value and the carrying value of these inventories. As stated in paragraph (2) above, there were limitations in the scope of work of the predecessor auditors in relation to the purchase price allocation in respect of the Acquisition.

Due to the scope limitations in the previous year's audit, we were unable to carry out alternative audit procedures we considered necessary to satisfy ourselves as to whether the gain on disposal of the subsidiaries was free from material misstatement and fairly stated. Any adjustment found to be necessary to the opening balances as at 1 July 2016 may affect the balance of retained profits as at 1 July 2016, the Group's results for the year ended 30 June 2017 and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 30 June 2017.

REPORT ON OTHER MATTERS UNDER SECTION 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence as described in the Bases for Disclaimer of Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and

- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

CORPORATE GOVERNANCE PRACTICES

To the best knowledge and belief of the Directors, the Company has complied with all applicable code provisions of the CG Code throughout the financial year ended 30 June 2017, save and except for the deviations from code provisions A.2.1 and A.6.7.

Code provision A.2.1 of the CG Code stated that the roles of chairman and managing director should be separate and should not be performed by the same individual. On the annual general meeting of the Company dated 13 February 2017, Mr. Yeo Jiew Yew ("**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, this deviates from code provision A.2.1 of the CG Code.

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, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2017.

DIRECTORS' SECURITIES TRANSACTIONS

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 financial year ended 30 June 2017 save and except for paragraph A.3 of the Model Code.

An executive Director, Mr Peng Rongwu ("**Mr Peng**"), 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. Immediately after the Forced Sellings, Mr Peng's shareholding interests in the Company reduced from approximately 11.2% to approximately 4.05%. The Directors, who were not interested in the Forced Sellings satisfied that the Forced Sellings were exceptional circumstances under paragraph C.14 of the Model Code.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the code provisions of the Code as set out in appendix 14 to the Listing Rules. The primarily duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group.

As at 30 June 2017, the Audit Committee consists of four non-executive Directors, of whom three are independent, namely, Mr. Leung Po Hon (chairman of the Audit Committee"), Mr. Li Jin, Dr. Luo Xiaodong and Mr. Tam Tak Wah.

The Group's final results for the financial year ended 30 June 2017 and this announcement have been reviewed with no disagreement by the Audit Committee before submission to the Board for approval.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the preliminary announcement of the Group's results for the financial year ended 30 June 2017 have been agreed by the Company's auditor, HLB Hodgson Impey Cheng Limited ("**HLB**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on the preliminary announcement.

PROPOSED FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the financial year ended 30 June 2017.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This preliminary final results announcement is published on the websites of the Company (www.kingbostrike.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the financial year ended 30 June 2017 will be despatched to the Company's shareholders and available on the abovementioned websites in due course.

By Order of the Board
Liu Yancheng
Chairman and Executive Director

Hong Kong, 8 August 2017

As at the date of this announcement, the executive Directors are Mr. Liu Yancheng, Mr. Liu Xinsheng and Mr. Peng Rongwu, the non-executive Director is Mr. Tam Tak Wah, the independent non-executive Directors are Mr. Leung Po Hon, Mr. Li Jin and Dr. Luo Xiaodong.