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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 2018

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 2018, together with comparative figures for the year ended 30 June 2017, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
*Year ended 30 June 2018*

| | *Notes* | **2018** *S$* | 2017 *S$* |
|---|---|---|---|
| **REVENUE** | *4* | **68,328,311** | 57,648,773 |
| Cost of sales | | **(62,880,366)** | (38,384,602) |
| **Gross profit** | | **5,447,945** | 19,264,171 |
| Other gains and losses | *5* | **142,656** | (1,259,532) |
| Administrative expenses | | **(4,478,442)** | (5,006,815) |
| Impairment loss recognised in respect of goodwill | *10* | **(1,792,785)** | (41,163,325) |
| Other expenses | | **(306,544)** | (260,749) |
| Finance costs | *6* | **(7,572)** | (9,721) |
| Share of results of joint ventures | | **1,280,807** | 1,021,618 |
| Share of results of an associate | | **(11,067)** | 42,228 |
| **PROFIT (LOSS) BEFORE TAX** | *7* | **274,998** | (27,372,125) |
| Income tax expense | *8* | **(976,071)** | (4,062,584) |
| **LOSS FOR THE YEAR** | | **(701,073)** | (31,434,709) |
| **ATTRIBUTABLE TO** | | | |
| Owners of the parent | | **(1,840,146)** | (38,989,860) |
| Non-controlling interests | | **1,139,073** | 7,555,151 |
| | | **(701,073)** | (31,434,709) |

* *For identification purposes only*

| | Notes | **2018** | 2017 |
|---|---|---|---|
| | | ***S$*** | *S$* |
| **LOSS FOR THE YEAR** | | **(701,073)** | (31,434,709) |
| **OTHER COMPREHENSIVE INCOME (EXPENSES) 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 | | **693,854** | (48,490) |
| Reclassification of translation reserve upon disposal of foreign operations | | **–** | 13,867 |
| Other comprehensive income (expense) for the year, net of income tax | | **693,854** | (34,623) |
| **TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR** | | **(7,219)** | (31,469,332) |
| **ATTRIBUTABLE TO** | | | |
| Owners of the parent | | **(1,205,991)** | (38,996,395) |
| Non-controlling interests | | **1,198,772** | 7,527,063 |
| | | **(7,219)** | (31,469,332) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDINGS OF THE PARENT** | | | |
| Basic and diluted (S$ cents) | *9* | **(0.18)** | (5.02) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 30 June 2018*

| | Notes | 2018 S$ | 2017 S$ |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Goodwill | *10* | **14,679,058** | 16,291,283 |
| Prepayments | | **–** | 1,768,878 |
| Interests in joint ventures | | **2,738,762** | 2,957,955 |
| Interests in an associate | | **479,712** | 490,779 |
| Plant and equipment | | **424,185** | 611,236 |
| Trade receivables | *11* | **2,096,300** | 2,470,373 |
| Total non-current assets | | **20,418,017** | 24,590,504 |
| **CURRENT ASSETS** | | | |
| Gross amount due from customers for contract work in progress | | **744,104** | 3,254,446 |
| Inventories | | **9,956** | 17,704 |
| Trade receivables, deposits and other receivables | *11* | **50,577,838** | 36,394,266 |
| Prepayments | | **3,324,082** | 34,288 |
| Held-for-trading investments | | **8,450,399** | 9,245,609 |
| Cash and cash equivalents | | **14,703,511** | 17,165,860 |
| Total current assets | | **77,809,890** | 66,112,173 |
| **CURRENT LIABILITIES** | | | |
| Income tax payable | | **5,347,239** | 4,433,737 |
| Trade and other payables | *12* | **14,308,345** | 21,146,823 |
| Total current liabilities | | **19,655,584** | 25,580,560 |
| **NET CURRENT ASSETS** | | **58,154,306** | 40,531,613 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **78,572,323** | 65,122,117 |

| | Notes | **2018** S$ | 2017 S$ |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Trade and other payables | *12* | **–** | 44,168 |
| Deferred tax liabilities | | **30,222** | 40,330 |
| Total non-current liabilities | | **30,222** | 84,498 |
| **NET ASSETS** | | **78,542,101** | 65,037,619 |
| **EQUITY** | | | |
| Share capital | | **2,000,400** | 1,396,622 |
| Reserves | | **67,197,813** | 55,495,881 |
| **TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** | | **69,198,213** | 56,892,503 |
| Non-controlling interests | | **9,343,888** | 8,145,116 |
| **TOTAL EQUITY** | | **78,542,101** | 65,037,619 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE AND GROUP INFORMATION

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

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

## 2.1 BASIS OF PREPARATION

These 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 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 IAS 7 | Disclosure Initiative |
| Amendments to IAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to IFRS 12 | As part of Annual Improvements to IFRSs 2014-2016 Cycle |

The application of new and revised IFRSs in the current year has had no material impact on the Group's consolidated financial position and consolidated financial performance for the current and prior years and/or on the disclosures set out in these consolidated 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[1] |
| Amendments to IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1] |
| IFRS 9 | Financial Instruments[1] |
| Amendments to IFRS 9 | Prepayment Features with Negative Compensation[2] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| IFRS 15 | Revenue from Contracts with Customers[1] |
| Amendments to IFRS 15 | Clarification to IFRS 15 Revenue from Contracts with Customers[1] |
| IFRS 16 | Leases[2] |
| IFRS 17 | Insurance Contract[3] |
| Amendments to IAS 28 | Long-term Interests in Associates and Joint Ventures[2] |
| Amendments to IAS 40 | Transfer of Investment Property[1] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2014-2016 Cycles[1] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2015-2017 Cycles[2] |
| IFRIC – Int 22 | Foreign Currency Transactions and Advance Consideration[1] |
| IFRIC – Int 23 | Uncertainty over Income Tax Treatments[2] |

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] 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***

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 are described below:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 30 June 2018, the directors of the Company anticipate the following potential impact on initial application of IFRS 9:

**Impairment**

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

However, the directors of the Company do not anticipate the application of the expected credit loss model of IFRS 9 will have material impact to the opening accumulated loss as at 1 July 2018.

**IFRS 15** ***Revenue from Contracts with Customers***

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of IFRS 15 will have a material impact on the amount of profit in the respective reporting periods.

**IFRS 16** ***Leases***

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2018, the Group as lessee has non-cancellable operating lease commitments of approximately S$582,344. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except for the new IFRSs mentioned as above, the directors of the Company anticipate that the application of all other new and revised IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 3. SEGMENT INFORMATION

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

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

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

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

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

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

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 certain other payables as these liabilities are managed on a group basis.

| **Year ended 30 June 2018** | **Engineering services** *S$* | **Solar power business** *S$* | **Trading business** *S$* | **Total** *S$* |
|---|---|---|---|---|
| **Segment revenue:** | | | | |
| Sales to external customers | **14,631,021** | **43,295,704** | **10,401,586** | **68,328,311** |
| **Segment results:** | **1,617,959** | **2,033,538** | **129,229** | **3,780,726** |
| Unallocated gains | | | | **128,120** |
| Corporate and other unallocated expenses | | | | **(3,633,848)** |
| Profit before tax | | | | **274,998** |
| **Segment assets:** | **21,441,908** | **61,339,719** | **5,006,968** | **87,788,595** |
| Corporate and other unallocated assets | | | | **10,439,312** |
| Total assets | | | | **98,227,907** |
| **Segment liabilities:** | **7,458,195** | **11,798,406** | **–** | **19,256,601** |
| Corporate and other unallocated liabilities | | | | **429,205** |
| Total liabilities | | | | **19,685,806** |

| Year ended 30 June 2017 | Engineering services *S$* | Solar power business *S$* | Trading 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 |

| Other segment information | Engineering services S$ | Solar power business S$ | Trading business S$ | Unallocated S$ | Total S$ |
|---|---|---|---|---|---|
| **Year ended 30 June 2018** | | | | | |
| Depreciation | **79,973** | **363** | **–** | **144,117** | **224,453** |
| Capital expenditure | **67,894** | **2,003** | **–** | **1,864** | **71,761** |
| Impairment loss recognised in respect of goodwill | **–** | **1,792,785** | **–** | **–** | **1,792,785** |
| **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 |

**Geographical information**

*(a) Revenue from external customers*

| | **2018** *S$* | 2017 *S$* |
|---|---|---|
| The PRC | **43,295,704** | 32,605,901 |
| Singapore | **14,631,021** | 25,042,872 |
| Hong Kong | **10,401,586** | – |
| | **68,328,311** | 57,648,773 |

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

*(b) Non-current assets**

| | **2018** *S$* | 2017 *S$* |
|---|---|---|
| Hong Kong | **200,354** | 2,116,860 |
| Singapore | **3,439,648** | 3,710,995 |
| The PRC | **14,681,715** | 16,292,276 |
| | **18,321,717** | 22,120,131 |

* Non-current assets excluding trade and other receivables.

The non-current assets information is presented based on the geographical location of the assets.

**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:

| | 2018 | 2017 |
|---|---|---|
| | *S$* | *S$* |
| Customer A[2] | **36,298,000** | N/A[3] |
| Customer B[2] | **6,997,000** | N/A[3] |
| Customer C[1] | **9,678,000** | 12,500,000 |
| Customer D[1] | **N/A[3]** | 11,565,000 |
| Customer E[2] | **N/A[3]** | 10,773,000 |

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.

| | 2018 | 2017 |
|---|---|---|
| | *S$* | *S$* |
| Contract revenue from provision of electrical engineering services | **14,631,021** | 25,042,872 |
| Contract revenue from provision of solar power business | **43,295,704** | 32,605,901 |
| Net invoiced value of goods sold | **10,401,586** | – |
| | **68,328,311** | 57,648,773 |

## 5. OTHER GAINS AND LOSSES

| | 2018 | 2017 |
|---|---|---|
| | *S$* | *S$* |
| Foreign exchange (loss) gain | **(272,875)** | 600,164 |
| Bank interest income | **57,047** | 39,717 |
| Incentives from the Singapore Government *(note (a))* | **23,167** | 34,741 |
| Net fair value gain on held-for-trading Investments *(Note 7d)* | **309,980** | 149,236 |
| Fair value loss on profit guarantee receivables | **–** | (8,961,306) |
| Gain on disposal of plant and equipment | **19,562** | 21,427 |
| Gain on disposal of subsidiaries | **–** | 4,622,458 |
| Gain on settlement of prepayments for acquisition of subsidiaries | **–** | 2,227,701 |
| Others | **5,775** | 6,330 |
| | **142,656** | (1,259,532) |

*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:

| | **2018** | 2017 |
|---|---|---|
| | ***S$*** | *S$* |
| Bank charges | **7,572** | 9,721 |
| Interest on interest-bearing borrowings | **–** | 2,215,267 |
| Total | **7,572** | 2,224,988 |
| Less: interest capitalised | **–** | (2,215,267) |
| | **7,572** | 9,721 |

## 7. PROFIT (LOSS) BEFORE TAX

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

| | | **2018** | 2017 |
|---|---|---|---|
| | | ***S$*** | *S$* |
| (a) | Cost of sales (Refer to (b) below) | **62,880,366** | 38,384,602 |
| | Auditors' remuneration | **372,602** | 416,627 |
| | Depreciation of plant and equipment | **224,453** | 208,169 |
| | Loss on plant and equipment written off | **–** | 96,643 |
| | Gain on disposal of plant and equipment | **(19,562)** | (21,427) |
| | Minimum lease payments under operating leases | **379,231** | 460,269 |
| | Legal and professional expenses | **588,654** | 311,789 |
| | Share-based payment expense in respect of consultancy services | **–** | 1,084,753 |
| | Employee benefits (Refer to (c) below) | **5,816,593** | 5,808,919 |
| (b) | Cost of sales | | |
| | – Contract cost from provision of electrical engineering services | **13,307,388** | 23,148,118 |
| | – Contract cost from provision of solar power business | **39,324,366** | 15,236,484 |
| | – Cost of goods sold | **10,248,612** | – |
| | | **62,880,366** | 38,384,602 |
| (c) | Employee benefits (including Directors' remuneration): | | |
| | – Directors' fees | **525,601** | 374,951 |
| | – Salaries, wages and bonuses | **5,079,214** | 4,936,899 |
| | – Pension scheme contributions | **211,778** | 217,133 |
| | – Share based payment expense | **–** | 279,936 |
| | | **5,816,593** | 5,808,919 |
| (d) | Net fair value gain on held-for-trading investments: | | |
| | Unrealised gain on fair value of held-for-trading investments | **(1,299,780)** | (149,236) |
| | Realised loss on fair value of held-for-trading investments | **989,800** | – |
| | | **(309,980)** | (149,236) |
| (e) | Fair value loss on profit guarantee receivable | **–** | 8,961,306 |

## 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, profits of the subsidiary in Singapore which is taxed at a statutory tax rate of 17% and corporate income tax which 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.

| | **2018** | 2017 |
|---|---|---|
| | ***S$*** | *S$* |
| Current – Singapore | | |
| – Charge for the year | **31,152** | 110,913 |
| – Over-provision in respect of previous years | **(23,613)** | (13,020) |
| Current – Others (the PRC and Hong Kong) | | |
| – Charge for the year | **978,640** | 4,282,192 |
| – Over-provision in respect of previous years | **–** | (319,664) |
| Deferred | | |
| – Origination and reversal of temporary differences | **(10,108)** | 2,163 |
| Total tax charge for the year | **976,071** | 4,062,584 |

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 PER SHARE

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

The calculation of basic loss per share is based on:

| | **2018** | 2017 |
|---|---|---|
| **Loss** | | |
| Loss attributable to equity holders of the parent, used in the basic loss per share calculation (S$) | **(1,840,146)** | (38,989,860) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation | **1,049,799,452** | 776,316,752 |
| Basic loss per share (S$ cents) | **(0.18)** | (5.02) |

Basic loss per share is the same as diluted loss per share, as the Group had no potentially dilutive ordinary shares (2017: Nil) in issue during the year.

## 10. GOODWILL

| | **2018** | 2017 |
|---|---|---|
| | ***S$*** | *S$* |
| **Cost** | | |
| At the beginning of the year | **57,510,423** | 57,354,883 |
| Exchange realignment | **725,984** | 155,540 |
| At the end of the year | **58,236,407** | 57,510,423 |
| **Accumulated impairment loss** | | |
| At the beginning of the year | **41,219,140** | – |
| Impairment loss recognised during the year | **1,792,785** | 41,163,325 |
| Exchange realignment | **545,424** | 55,815 |
| At the end of the year | **43,557,349** | 41,219,140 |
| **Net carrying amount at the end of the year** | **14,679,058** | 16,291,283 |

**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 four-year period (2017: 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 2018*

The pre-tax discount rate applied to the cash flow projections is 21.89%. The projected sales for the forecasted was prepared base on (i) budgeted sales for the year ended 30 June 2019; and (ii) prudent annualised growth rate of 3% per year for the year ended 30 June 2020 to year ended 30 June 2022.

The estimate forecasted revenue and growth rate of the CGU was prepared by the management of the Company after considering (i) historical operation data; (ii) budgeted sales for the year ended 30 June 2019; (iii) market development during year ended 30 June 2018; and (iv) expected market development in future. The directors consider 3% annualised growth rate was made after due care and at prudent. As a result, a slight impairment of S$1,792,785 was recognised during year ended 30 June 2018.

*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 RMB1,900 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.

Assumptions were used in the value in use calculation of the construction, operation and sale of solar power station projects cash-generating unit. 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 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

| | **2018** | 2017 |
|---|---|---|
| | ***S$*** | *S$* |
| *Trade receivables (non-current):* | | |
| Retention sum receivables *(note (a))* | **2,096,300** | 2,470,373 |
| *Trade receivables (current):* | | |
| Third parties | **39,332,270** | 16,692,098 |
| Retention sum receivables *(note (a))* | **10,623,263** | 2,929,075 |
| Bills receivables | **–** | 4,172,555 |
| | **49,955,533** | 23,793,728 |
| *Other receivables (current):* | | |
| Advances to staff | **–** | 68,500 |
| Deposits | **146,005** | 118,899 |
| Others *(note (b))* | **476,300** | 12,413,139 |
| | **622,305** | 12,600,538 |
| Total trade receivables, deposits and other receivables *(current)* | **50,577,838** | 36,394,266 |

*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) As at 30 June 2017, included in the other receivables are amounts 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. The amounts have been received during the current year.

**Trade receivables**

Trade receivables (excluding retention sum receivables) are non-interest bearing and are generally on terms of 30 to 120 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:

| | **2018** | 2017 |
|---|---:|---:|
| | ***S$*** | *S$* |
| Less than 30 days | **17,415,110** | 1,049,476 |
| 30 to 60 days | **18,461,728** | 8,337,172 |
| 61 to 90 days | **–** | 5,466,983 |
| More than 90 days | **3,455,432** | 1,838,467 |
| | **39,332,270** | 16,692,098 |

As at 30 June 2018 and 2017, 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:

| | **2018** | 2017 |
|---|---:|---:|
| | ***S$*** | *S$* |
| Neither past due nor impaired | **35,695,235** | 1,049,476 |
| Less than 30 days past due | **181,603** | 8,337,172 |
| 30 to 60 days past due | **–** | 5,466,983 |
| More than 60 days past due | **3,455,432** | 1,838,467 |
| | **39,332,270** | 16,692,098 |

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. TRADE AND OTHER PAYABLES

| | **2018** | 2017 |
|---|---|---|
| | ***S$*** | *S$* |
| *Trade payables and other payables (non-current):* | | |
| Retention sum payables | **–** | 44,168 |
| *Trade payables (current):* | | |
| Third parties | **4,962,939** | 2,992,211 |
| Retention sum payables | **580,608** | 529,202 |
| | **5,543,547** | 3,521,413 |
| *Accruals for project costs (note (a)) (current)* | **5,661,266** | 10,536,103 |
| *Other payables:* | | |
| Promissory notes payable | **–** | 6,022,421 |
| Accrued liabilities | **724,859** | 626,652 |
| GST/VAT payable | **1,412,526** | 201,850 |
| Due to related parties | **–** | 165,366 |
| Due to a joint venture *(note (b))* | **900,000** | – |
| Others | **66,147** | 73,018 |
| | **3,103,532** | 7,089,307 |
| Total | **14,308,345** | 21,146,823 |

*Note:*

(a) The amount represents the accrued project costs for the provision of electrical engineering services.

(b) The amount due to a joint venture is unsecured, interest-free and has no fixed terms of repayment.

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

**Trade payables/other payables**

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

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

| | **2018** | 2017 |
|---|---|---|
| | ***S$*** | *S$* |
| *Trade payables:* | | |
| Less than 90 days | **4,962,939** | 2,992,211 |
| 90 to 180 days | **–** | – |
| | **4,962,939** | 2,992,211 |

## BUSINESS REVIEW

During the financial year ended 30 June 2018, the performance of the Group in different business line were as follows:

### Solar Power Business

The Group commenced the business of construction, operation and sale of solar power station projects in 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.

During the year, the solar power business has transformed into supply and installation of solar photovoltaic parts and equipment. The Group has recognized a revenue of approximately S$43.3 million from the solar power business for the financial year ended 30 June 2018 (2017: S$32.6 million).

### Electrical Engineering Services

For the financial year ended 30 June 2018, the electrical engineering services in Singapore recorded a revenue of approximately S$14.6 million, which represents a decrease of approximately 41.6% over that of approximately S$25.0 million for the financial year ended 30 June 2017. This is mainly attributable to a lower percentage of work completed in projects towards completion during the financial year ended 30 June 2018.

During the financial year ended 30 June 2018, the Group completed 2 projects (2017: 3 projects), all of which (2017: all) 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 2018 (2017: nil).) As at 30 June 2018, the value of the outstanding contracts to be completed was approximately S$1.0 million (2017: S$15.6 million) and all the 4 contracts on hand (2017: 6) were related to public residential projects.

### Consumer Products and Accessories

In line with the corporate strategy for further fostering the revenue and diversifying the revenue base, the Group commenced trading of consumer products and accessories since November 2017. The Group recorded a revenue of approximately S$10.4 million for this segment during the financial year ended 30 June 2018.

## BUSINESS PROSPECT

Although the Group has record a growth in revenue of solar power business for the year, the change in photovoltaic market in the PRC and the fierce competition in public housing development in Singapore might bring challenges to the Group.

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

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

## FINANCIAL REVIEW

The Group's revenue increased by 18.5% from approximately S$57.6 million for the financial year ended 30 June 2017 to approximately S$68.3 million for the financial year ended 30 June 2018. Loss attributable to owners of the parent and loss per share attributable to ordinary equity holders of the parent for the year ended 30 June 2018 amounted to approximately S$1.8 million and S$0.18 cents respectively compared to approximately S$39.0 million and S$5.02 cent respectively for the financial year ended 30 June 2017.

### Financial Results

***Revenue***

For the financial year ended 30 June 2018, revenue of the Group comprises of revenue generated from the following three business segment of the Group:

*Solar Power Business*

The Group has recognised a revenue of approximately S$43.3 million from the solar business for the financial year ended 30 June 2018, an increase of 32.8% compared to approximately S$32.6 million from that of last year.

*Electrical Engineering Services*

For the financial year ended 30 June 2018, this business segment recorded a revenue of approximately S$14.6 million, which represents a decrease of 41.6% from approximately S$25.0 million for the financial year ended 30 June 2017. This is mainly attributable to lack of new project secured during the year, due to fierce competition.

*Consumer Products and Accessories*

The Group commenced trading of consumer products and accessories during the year and recorded a revenue of approximately S$10.4 million.

### *Operating Results*

Gross profit margin of the Group decreased by 25.4% from 33.4% for the financial year ended 30 June 2017 to 8.0% for the financial year ended 30 June 2018. The decrease in gross profit margin was mainly due to the lower profit margin in supply and installation of solar photovoltaic parts and equipment for solar power business and dilution effect from lower profit margin from the trading business, while the decrease in gross profit margin was slightly offset by the increase in the gross profit margin of the electrical engineering services by 1.4% from 7.6% for the financial year ended 30 June 2017 to that of 9.0% for the financial year ended 30 June 2018.

The operating results of the Group has recorded a significant reduction of loss from approximately S$31.4 million for the financial year ended 30 June 2017 to approximately S$701,000 for the financial year ended 30 June 2018. This change is primarily attributable to the significant reduction in impairment loss to approximately S$1.8 million (2017: S$41.2 million) during the financial year ended 30 June 2018 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 four years.

### *Other Gains and Losses*

Other gains and losses has experienced a change from a net loss of approximately S$1.3 million for the financial year ended 30 June 2017 to a net gain of approximately S$143,000 for the financial year ended 30 June 2018. This is mainly the result of the following significant items for the financial year ended 30 June 2017, which was not occurred for the financial year ended 30 June 2018:

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 of subsidiaries; 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 2018 decreased by 10.6% to approximately S$4.5 million (2017: S$5.0 million). This is primarily attributable to share option expense in relation to the share options granted for the financial year ended 30 June 2017, which did not recur for the financial year ended 30 June 2018 and offset by the increase in general administrative cost of the Company for the financial year ended 30 June 2018.

*Impairment Loss Recognized in respect of Goodwill*

In light of the cash flow projections of the solar power business for the next four years, the recoverable amount of the goodwill in relation to the solar power business at 30 June 2018 was determined to be approximately S$14.7 million (2017: S$16.3 million) taking into account the valuation performed by an independent professional valuer. Accordingly, an impairment loss of approximately S$1.8 million (2017: S$41.2 million) was recognized. Details of the goodwill were set out in note 10 of the notes to the consolidated financial statement in this announcement.

*Other Expenses*

Other expenses increased slightly by approximately 17.6% from approximately S$261,000 for the financial year ended 30 June 2017 to approximately S$307,000 for the financial year ended 30 June 2018. 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 increased by 25.4% to approximately S$1.28 million (2017: S$1.02 million) for the financial year ended 30 June 2018 mainly due to more projects secured in the current financial year.

*Share of Results of an Associate*

The associate has shared a loss of S$11,067 (2017: gain of S$42,228) mainly due to the on-going projects were relatively small scale with lower gross margin.

*Income Tax Expense*

Income tax expense decreased substantially by 76.0% from S$4.1 million for the financial year ended 30 June 2017 to approximately S$976,000 for the financial year ended 30 June 2018. This is primarily attributable to the lesser income tax expense charged on the assessable profit generated from both the solar power business and electrical engineering services.

*Employment and Remuneration Policy*

As at 30 June 2018, total number of employees of the Group was 106 (2017: 173). During the financial year ended 30 June 2018, employees costs (including Directors' emoluments) amounted to approximately S$5.8 million (2017: S$5.8 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 2018, total assets of the Group were approximately S$98.2 million (30 June 2017: S$90.7 million), representing an increase of 8.3% as compared with that of 2017. In particular, non-current assets decreased by 17.0% to approximately S$20.4 million (30 June 2017: S$24.6 million), whereas current assets increased by 17.7% to approximately S$77.8 million (30 June 2017: S$66.1 million).

The decrease in non-current assets is mainly attributable to combination effect of impairment of goodwill, the dividend payment by joint venture, the refund of prepayment for acquisition of properties and share of results of joint ventures during the financial year ended 30 June 2018. On the other hand, the substantial increase in trade receivables (excluding retention sum receivables and bills receivables) of approximately S$22.6 million from approximately S$16.7 million as at 30 June 2017 to approximately S$39.3 million as at 30 June 2018, which is mainly related to the solar power business and trading business, has strengthened up the current assets of the Group. As at 30 June 2018, approximately 91.2% of trade receivable aged within 60 days and approximately 90.8% are not past due. As at the date of this announcement, approximately 86.3% of the outstanding trade receivable (excluding retention sum receivables and bills receivables) subsequently settled.

As at 30 June 2018, total liabilities of the Group amounted to approximately S$19.7 million (30 June 2017: S$25.7 million), a decrease of 23.3% as compared with that of 2017. In particular, current liabilities decreased by 23.2% to S$19.7 million (30 June 2017: S$25.6 million), whereas non-current liabilities reduced by 64.2% to S$30,222 (30 June 2017: S$84,498). The decrease in current liabilities is mainly due to the payment of promissory notes of approximately S$6.0 million. There is no notable movement for the reduction in non-current liabilities.

Total equity of the Company increased by 20.8% to approximately S$78.5 million as at 30 June 2018 (30 June 2017: S$65.0 million). This is primarily resulted from the placing of 152,000,000 placing shares and 197,600,000 placing shares at a price of HK$0.266 per share and HK$0.195 per share respectively during the financial year ended 30 June 2018.

**Liquidity, Financial Resources and Gearing**

As at 30 June 2018, the Group maintained net current assets of approximately S$58.2 million (30 June 2017: S$40.5 million). Besides, the Group maintained cash and cash equivalents of approximately S$14.7 million, of which 10.1% and 88.3% were denominated in Hong Kong dollars and Singapore dollars respectively (30 June 2017: S$17.2 million, of which 22.6% and 77.4% were denominated in Hong Kong dollars and Singapore dollars respectively).

As at 30 June 2018, the Group had no interest-bearing borrowings (30 June 2017: nil). The Group's gearing ratio was not applicable as the amount of trade and other payables is less than cash and cash equivalents (30 June 2017: 7.1%), which was calculated on the basis of net debt over equity attributable to owners of the Company. Net debt is calculated as trade and other payables less cash and cash equivalents.

**Charge on Assets**

As at 30 June 2018, the Group had no charges on its assets.

**Capital Structure**

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

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

The 2017 Placing was conducted by the Company to raise additional funding for the business operations of the Group and strengthen the financial position of the Group, and enlarge the shareholders' base, which may in turn enhance the liquidity of the shares of the Company. The net proceeds from the 2017 Placing in the amount of approximately HK$39.7 million was previously intended to be applied as to HK$20 million to finance the acquisition of properties situated in Taiwan and the remaining balance as general working capital. As disclosed in the announcement of the Company dated 12 January 2018, the acquisition of properties has lapsed and all the net proceeds from the 2017 Placing would be applied as general working capital of the Group.

On 14 February 2018, the Company entered into a placing agreement (the "**2018 Placing Agreement**") with RIFA Securities Limited, pursuant to which RIFA Securities Limited agreed to place 197,600,000 new shares of the Company to not less than six placees on a best effort basis at a placing price of HK$0.195 per placing share (the "**2018 Placing**"). The Placing was completed on 5 March 2018 and 197,600,000 new shares of the Company with an aggregate nominal value of HK$1,976,000 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$0.195 represents (i) a discount of approximately 4.88% to the closing price of HK$0.205 per share as quoted on the Stock Exchange on 14 February 2018, being the date of the 2018 Placing Agreement; and (ii) a discount of approximately 4.41% to the average closing price of HK$0.204 per share of the Company as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to date of the 2018 Placing Agreement. The net placing price for the 2018 Placing was approximately HK$0.192 per placing share.

The 2018 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$38.0 million arising from the 2018 Placing was applied as general working capital of the Group.

The Company has utilised approximately 81.5% of the net proceeds as to (i) approximately 3.8% in human resources; (ii) approximately 1.5% in office utilities; (iii) approximately 8.2% in other general expenses; (iv) approximately 37.7% for working capital in respect of trading in consumer products and accessories and (v) approximately 30.3% for working capital in respect of solar power business during the financial year ended 30 June 2018.

As at 30 June 2018, the Company had 1,185,600,000 (30 June 2017: 836,000,000) shares in issue.

**Capital Expenditure and Commitments**

During the financial year ended 30 June 2018, the Group had capital expenditure of S$71,761 (2017: S$455,715).

As at 30 June 2018, the Group had commitments contracted for but not provided in the consolidated financial statements amounting to approximately S$14.2 million (equivalent to RMB69 million) in respect of acquisition of a company (30 June 2017: S$3.5 million in respect of acquisition of properties).

**Contingent Liabilities**

As at 30 June 2018, the Group had security bonds to the Singapore Government amounting to S$390,000 (30 June 2017: S$615,000) in relation to foreign workers.

**Significant Investments**

As at 30 June 2018, the Group held certain listed securities as held-for-trading investments.

The Group identified its investments based on the share price performance and future prospect of the investments. For the financial year ended 30 June 2018, the Group received dividend income of S$2,174 (2017: $2,727) from investment in listed securities and made a fair value gain of S$309,980 (2017: $149,236) on held-for-trading investments, in which approximately S$1.0 million (2017: nil) is realised loss. This fair value loss is mainly the combination effect of: (i) increase in share price of 110.4% of Chi Ho Development Holdings Limited ("**Chi Ho**"); (ii) decrease in share price of 95.1% of Li Bao Ge Group Limited ("**Li Bao Ge**"); and (iii) decrease in the share price of Pinestone Capital Limited ("**Pinestone**") of 41.7%; and (iv) decrease in share price of 55.3% of China Baoli Technologies Holdings Limited ("**China Baoli**") during the financial year ended 30 June 2018. All the shares of Heng Tai Consumables Group Limited were disposed of during the financial year ended 30 June 2018.

| 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 instruments for the years ended(Note 8(c)) | |
|---|---|---|---|---|---|---|---|---|---|
| | | **30 June 2018** | 30 June 2017 | **30 June 2018** | **30 June 2018** | 30 June 2017 | 30 June 2017 | **30 June 2018** | 30 June 2017 |
| | | | | ***S$*** | | *S$* | | ***S$*** | *S$* |
| 164 | China Baoli Technologies Holdings Limited | **0.071%** | 0.072% | **363,626** | **0.46%** | 828,047 | 1.27% | **(452,110)** | (52,331) |
| 197 | Heng Tai Consumables Group Limited | **–%** | 0.555% | **–** | **–%** | 601,419 | 0.92% | **–** | 8,766 |
| 804 | Pinestone Capital Limited | **0.843%** | 0.741% | **1,216,364** | **1.55%** | 1,867,228 | 2.87% | **(708,294)** | (3,956,834) |
| 1869 | Li Bao Ge Group Limited | **0.104%** | 0.229% | **57,719** | **0.07%** | 2,654,379 | 4.08% | **(1,129,673)** | 1,758,449 |
| 8423 | Chi Ho Development Holdings Limited | **1.863%** | 1.863% | **6,812,690** | **8.67%** | 3,294,536 | 5.07% | **3,589,857** | 2,391,186 |
| | | | | **8,450,399** | **10.75%** | 9,245,609 | 14.21% | **1,299,780** | 149,236 |

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 continued to record a total comprehensive expense for the financial year ended 31 March 2018, the amount of loss had reduced as compared to the financial year ended 31 March 2017. Furthermore, they are committed to identifying and evaluating appropriate opportunities to invest in, thereby continuously improving its market competitiveness and maintaining its overall performance. Their goal is to generate stable fee based income and performance based revenue. In the long run, the Group believes that China Baoli will continue to diversify its existing business so as to achieve better growth potential and generating promising returns to the shareholders.

Pinestone is a Hong Kong-based financial services provider principally engaged in provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services. The total comprehensive income for the financial year ended 31 December 2017 of Pinestone is approximately HK$14.1 million, which has decreased by approximately HK$13.5 million compared to that of the previous year, which was mostly attributable to an impairment provision of approximately HK$8.0 million made in respect of trade and loans receivables relating to securities-backed lending services. Pinestone will continue to cultivate client relationship, strengthen the financial positions, and explore business opportunities to maximize the long-term return for the shareholders. Being optimistic in the securities industry in Hong Kong, the Company is positive towards the prospect of Pinestone.

Li Bao Ge is principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and the PRC. The total comprehensive income for the financial year ended 31 December 2017 of Li Bao Ge is approximately HK$24.4 million, which has increased by approximately HK$14.9 million compared to that of the previous year. Although Li Bao Ge continuously recorded profit, it had experience a significant fluctuation of the share price during the financial year ended 30 June 2018. For prudence sake, the group had disposed a substantial part of its holding in Li Bao Ge during the financial year ended 30 June 2018.

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. Chi Ho is responsible for the overall management, implementation and supervision of projects. Chi Ho 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 total comprehensive income for the financial year ended 31 March 2018 of Chi Ho is approximately HK$23.1 million, which has increased by approximately HK$10.6 million compared to that of the previous year.

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

Save for those disclosed above, interests in joint ventures, associate and subsidiaries, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the financial year ended 30 June 2018.

**Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

On 29 March 2018, the Company entered into a conditional sale and purchase agreement ("**Agreement**") in relation to the acquisition of the entire registered capital of Jiangsu Huihua Photovoltaic Limited (the "**Jiangsu Acquisition**"). As at the date of this announcement, all conditions precedent of the Agreement have been fulfilled while the Jiangsu Acquisition had not completed as the relevant government department in the PRC is still in the course of processing the registration of the transfer of the registered capital of Jiangsu Huihua Photovoltaic Limited.

Save as disclosed above, there was no other material acquisitions or disposals of subsidiaries and associated companies during the financial year ended 30 June 2018.

## EXTRACT OF INDEPENDENT AUDITORS' REPORT

## BASIS FOR DISCLAIMER OF OPINION

### 1. Opening balances and corresponding figures

The opening balances as at 1 July 2017 and the comparative figures disclosed in the consolidated financial statements are based on the consolidated financial statements of the Group for the year ended 30 June 2017 (the "**2017 Financial Statements**"), on which we expressed a disclaimer of opinion in our auditors' report dated 8 August 2017. The matters which resulted in that disclaimer of opinion included the matters described in paragraphs (2) to (4) below.

Details of the matters that gave rise to the disclaimer of opinion are set out in our independent auditors' report dated 8 August 2017 included in the Company's annual report for the year ended 30 June 2017.

The opening balances as at 1 July 2017 of the assets and liabilities of the Group enter into the determination of the financial performance and cash flows of the Group for the current financial year ended 30 June 2018 and may have carryforward effects on the closing balances of the assets and liabilities of the Group as at 30 June 2018. Hence any adjustments found to be necessary to the opening balances as at 1 July 2017 of the assets and liabilities of the Group may affect the balance of accumulated losses as at 1 July 2017, the Group's loss for the year ended 30 June 2018, the closing balances of the assets and liabilities of the Group as at 30 June 2018 and related presentation in the consolidated statement of cash flows and disclosures in the notes to the consolidated financial statements of the Group for the year ended 30 June 2018 in the manner described in paragraphs (2) and (3) below.

Accordingly, the matters that gave rise to the disclaimer of opinion on the 2017 Financial Statements caused us to be unable to determine whether adjustments might have been necessary in respect of the financial performance of the Group for the year ended 30 June 2018 reported in the consolidated statement of profit or loss and other comprehensive income, the Group's cash flows used in operating activities reported in the consolidated statement of cash flows and/or the financial position of the Group as at 30 June 2018 reported in the consolidated statement of financial position as at 30 June 2018 in the manner described in paragraphs (2) and (3) below, and the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

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

The Group acquired 60% equity interest of Kahuer Holding Co., Limited ("**Kahuer**") on 27 May 2016 (the "**Acquisition**"). The Group had engaged an independent external professional valuer to assist in the determination of the fair values of the identifiable assets and liabilities of Kahuer and its subsidiaries (the "**Kahuer Group**") for the purpose of purchase price allocation at the date of Acquisition. The fair value measurements during the purchase price allocation were carried out based on cash flow forecast of the Kahuer Group projects which was prepared using financial budgets covering a five-year period (the "**Forecast**"). As a result, goodwill of approximately RMB282.6 million (equivalent to approximately S$58.3 million), being the residual value from the purchase price allocation, was recognised.

Our audit opinion on the 2017 Financial Statements was modified because, inter alia, we were unable to satisfy ourselves as to whether the fair value of inventories of Kahuer Group as at the date of the Acquisition of approximately S$3.5 million and the related deferred tax liability of approximately S$0.8 million included in the purchase price allocation referred to above were appropriately stated, as the reasonableness of the Forecast could not be ascertained. Any adjustments found to be necessary in respect of this matter may materially affect the balances of the Group's inventories and deferred tax liability in respect thereof as at 30 June 2017 and the amounts recognized in consolidated profit or loss in respect of the inventories and deferred tax liability for the years ended 30 June 2018 and 2017 and other related elements in the consolidated financial statements for the years ended 30 June 2018 and 2017.

### 3. Impairment loss of goodwill

As detailed in Note 12 to the consolidated financial statements and paragraph 2 above, included in the consolidated statement of financial position of the Group was goodwill of gross carrying amount (before provision of impairment) of approximately RMB282.6 million (equivalent to approximately S$58.2 million) as at 30 June 2018 (2017: approximately S$57.5 million) which arose from the Acquisition. During the year, the Group performed impairment assessment on the goodwill based on valuation report prepared by an independent external professional valuer. Provision for impairment loss on the goodwill amounting to approximately RMB8.8 million (equivalent to approximately S$1.8 million) (2017: approximately RMB202.5 million, equivalent to approximately S$41.2 million) was recognized in consolidated profit or loss during the year ended 30 June 2018.

Our audit opinion on the 2017 Financial Statements was modified because, inter alia, we were unable to satisfy ourselves that certain key assumptions adopted in the valuation of the value in use as at 30 June 2017 of the solar power station projects cash generating unit, to which the whole amount of the goodwill referred to above was allocated for impairment testing purpose, were reasonable and supportable. 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 2017 Financial Statements.

Any adjustments found to be necessary in respect of the scope limitation referred to above may materially affect the balance of the Group's goodwill as at 30 June 2017 and the amounts recognized in consolidated profit or loss in respect of the impairment loss on goodwill for the years ended 30 June 2018 and 2017 and other related elements in the consolidated financial statements for the years ended 30 June 2018 and 2017.

### 4. Other matters that led to disclaimer on the 2017 Financial Statements

Our audit opinion on the 2017 Financial Statements was modified because, in addition to the matters described in paragraphs 1 to 3 above, there were scope limitations which might materially affect the Group's loss for the year ended 30 June 2017 and related disclosures in the notes to the 2017 Financial Statements. These scope limitations are described in sub-paragraphs (a) to (c) below. Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

a. ***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 was a loss from change in fair value of profit guarantee receivable of approximately RMB44.1 million (equivalent to approximately S$9.0 million). The profit guarantee receivable was carried at its fair value, which was determined to be S$Nil as at 30 June 2017 based on the actual performance of the Kahuer Group, as the period covered by the profit guarantee had already ended. However, we were unable to satisfy ourselves as to whether the opening balance of the profit guarantee receivable as at 1 July 2016 was free from material misstatement. Any adjustments found to be necessary to the opening balance as at 1 July 2016 might affect the loss from change in fair value of profit guarantee receivable included in arriving at the Group's loss 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.

b. ***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 was 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. We were unable to satisfy ourselves as to whether the opening balance of the long-term prepayments as at 1 July 2016 was free from material misstatement and hence whether the gain on settlement of long-term prepayments for acquisition of subsidiaries was free from material misstatement.

c. ***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 was 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 of approximately RMB14.9 million (equivalent to S$3.0 million) which were arising from the Acquisition and the related deferred tax liabilities of approximately RMB3.7 million (equivalent to S$0.8 million). As stated in paragraph (2) above, there was scope limitation in relation to the purchase price allocation in respect of the Acquisition, hence we were unable to satisfy ourselves as to whether the gain on disposal of the subsidiaries was free from material misstatement.

## 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

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

The Company has applied the principles of Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and complied with all applicable code provisions of the CG Code throughout the financial year ended 30 June 2018, save and except for the deviations from code provisions A.2.1 and A.6.7.

### Code provision A.2.1

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

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

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

**Code provision A.6.7**

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

## 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 2018.

## 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 2018.

## 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 2018, 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 2018 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 2018 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 2018.

## 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 2018 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, 27 September 2018

*As at the date of this announcement, the executive Directors are Mr. Liu Yancheng, Mr. Yao Runxiong and Mr. Liu Xinsheng, 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.*