# Grandshores Technology Group Limited
# 雄岸科技集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1647)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Grandshores Technology Group Limited (the "**Company**") is pleased to present the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2019 (the "**Review Period**"), together with the comparative figures for the corresponding six months ended 30 September 2018.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 September 2019*

| | | **Six months ended 30 September** | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Note* | ***S$*** | *S$* |
| | | **(Unaudited)** | (Unaudited) |
| **Revenue** | *4* | **19,952,224** | 22,509,910 |
| Costs of services | | **(13,621,206)** | (15,506,522) |
| **Gross profit** | | **6,331,018** | 7,003,388 |
| Other income | *5A* | **147,287** | 79,154 |
| Other gains and losses | *5B* | **562,351** | 1,222,468 |
| Selling expenses | | **(43,399)** | (49,830) |
| Administrative expenses | | **(6,163,545)** | (4,812,276) |
| Finance costs | *6* | **(54,637)** | (56,851) |
| Share of loss of an associate | | **(55,350)** | — |
| **Profit before taxation** | | **723,725** | 3,386,053 |
| Income tax expense | *7* | **(276,897)** | (428,087) |
| **Profit for the period** | *8* | **446,828** | 2,957,966 |

| | Note | Six months ended 30 September 2019 S$ (Unaudited) | 2018 S$ (Unaudited) |
|---|---|---|---|
| **Other comprehensive income for the period** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | **(219,877)** | (5,142) |
| **Total comprehensive income for the period** | | **226,951** | 2,952,824 |
| **(Loss)/profit for the period attributable to:** | | | |
| Owners of the Company | | **(377,546)** | 2,958,518 |
| Non-controlling interests | | **824,374** | (552) |
| | | **446,828** | 2,957,966 |
| **Total comprehensive (expense)/income attributable to:** | | | |
| Owners of the Company | | **(597,423)** | 2,953,386 |
| Non-controlling interests | | **824,374** | (562) |
| | | **226,951** | 2,952,824 |
| **Basic and diluted (loss)/earnings per share** *(S$ cents)* | *10* | **(0.04)** | 0.29 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2019*

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

| | Note | 30 September 2019 S$ (Unaudited) | 31 March 2019 S$ (Audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Lease liabilities | | **27,368** | — |
| Borrowings | *16* | **2,502,506** | 2,621,672 |
| Deferred tax liabilities | | **236,435** | 236,435 |
| | | **2,766,309** | 2,858,107 |
| **Net assets** | | **57,160,275** | 53,506,006 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | | **1,855,859** | 1,855,859 |
| Reserves | | **50,696,641** | 50,780,995 |
| **Equity attributable to owners of the Company** | | **52,552,500** | 52,636,854 |
| Non-controlling interests | | **4,607,775** | 869,152 |
| **Total equity** | | **57,160,275** | 53,506,006 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2019*

### 1. GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 18 May 2016 and its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**") on 13 June 2016.

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

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

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

The unaudited consolidated financial statements for the six months ended 30 September 2019 were approved by the Board of the Company on 29 November 2019.

### 2. BASIS OF PREPARATION

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

### 3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

**IFRS 16 "Leases"**

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

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

***A. Definition of a lease***

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

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

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

***B. As a lessee***

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

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

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

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

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

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

*i.* *Significant accounting policies*

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

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

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

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

*ii.* *Transition*

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

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

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

— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

*C. Impacts on financial statements*

*i. Impact on transition*

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

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

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

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

*ii. Impacts for the period*

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

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

## 4. REVENUE AND SEGMENT INFORMATION

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

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

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

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

**Information about the Major Customers**

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

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

**Geographical Information**

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

### *(a) Revenue from external customers*

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

### *(b) Non-current assets*

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

## 5 A. OTHER INCOME

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

## 5 B. OTHER GAINS AND LOSSES

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

## 6. FINANCE COSTS

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

## 7. INCOME TAX EXPENSE

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

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

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

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

## 8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

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

## 9. DIVIDENDS

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

## 10. (LOSS)/EARNINGS PER SHARE

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

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

## 11. TRADE RECEIVABLES

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

*Note:*

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

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

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

## 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

## 13. CONTRACT ASSETS

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

## 14. AMOUNTS DUE FROM RELATED PARTIES/COMPANIES

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

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

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

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

## 15. TRADE AND OTHER PAYABLES

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

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

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

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

## 16. BORROWINGS

| | **30 September 2019** *S$* **(Unaudited)** | 31 March 2019 *S$* (Audited) |
|---|---|---|
| Bank loan — secured | **2,740,838** | 2,860,004 |
| Analysed as: | | |
| Carrying amount repayable within one year | **238,332** | 238,332 |
| Carrying amount repayable more than one year, but not exceeding two years | **2,502,506** | 2,621,672 |
| | **2,740,838** | 2,860,004 |
| Amount due within one year shown under current liabilities | **(238,332)** | (238,332) |
| Amounts shown under non-current liabilities | **2,502,506** | 2,621,272 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Outlook

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

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

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

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

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

**Future Prospects**

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

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

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

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

***Revenue***

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

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

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

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

***Costs of Services***

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

***Gross Profit and Gross Profit Margin***

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

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

***Other Gains and Losses***

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

***Administrative Expenses***

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

### *Finance Costs*

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

### *Income Tax Expense*

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

### *(Loss)/Profit Attributable to Owners of the Company*

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

## Interim Dividend

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

## Liquidity and Financial Resources

The Group maintained a healthy financial position during the six months ended 30 September 2019. As at 30 September 2019, the Group had total bank balances and cash of approximately S$30.4 million (31 March 2019: approximately S$22.6 million). The total interest-bearing loans of the Group as at 30 September 2019 was approximately S$2.7 million (31 March 2019: approximately S$2.9 million), and current ratio of the Group as at 30 September 2019 was approximately 8.2 times

(31 March 2019: approximately 5.3 times). As at 30 September 2019, the gearing ratio (calculated based on borrowing divided by equity attributable to owners of the Company) of the Group was approximately 0.1 times (31 March 2019: approximately 0.1 times).

**Exposure to Foreign Exchange Rate Risks**

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

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

(a) On 25 April 2019, the Company through its wholly owned subsidiary, Grandshores Technology (Hong Kong) Limited, entered into an equity transfer agreement with an individual to acquire 40% equity interest in Hangzhou Yupu Trading Co., Ltd.* (杭州舜樸貿易有限公司) for a consideration of RMB4,000,000. For details, please refer to the announcement of the Company dated 25 April 2019.

(b) On 10 June 2019, the Company through its wholly owned subsidiary, Silver Fame Investment Limited and an individual entered into an equity transfer agreement to acquire 51% equity interest in Heilongjiang Yinma Technology Development Co., Ltd.* (黑龍江銀麻科技發展有限公司). For details, please refer to the announcement of the Company dated 10 June 2019.

**Employees and Remuneration Policy**

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

**Events after the reporting period**

No significant events have taken place subsequent to 30 September 2019.

**Compliance with the Corporate Governance Code**

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

**Purchase, Sales or Redemption of the Company's Securities**

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

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

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

**Review of Interim Results by the Audit Committee**

The unaudited consolidated financial results of the Group for the six months ended 30 September 2019 has been reviewed by the Audit Committee of the Company.

By Order of the Board
**Grandshores Technology Group Limited**
**Yao Yongjie**
*Chairman and Executive Director*

Hong Kong, 29 November 2019

*As at the date of this announcement, the Board comprises Mr. Yao Yongjie as an executive Director; Mr. Chua Seng Hai and Ms. Lu Xuwen as non-executive Directors; and Mr. Chu Chung Yue, Howard, Dr. Zhang Weining and Mr. Yu Wenzhuo as independent non-executive Directors.*