KINGBO STRIKE LIMITED
工蓋有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1421)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Kingbo Strike Limited (the "**Company**") presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 31 December 2019 together with comparative figures for the six months ended 31 December 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 31 December	
		2019	2018
	Notes	***S$***	*S$*
		Unaudited	Unaudited
REVENUE	*6*	**19,793,878**	60,946,138
Cost of sales		**(17,977,357)**	(54,021,080)
Gross profit		**1,816,521**	6,925,058
Other gains and losses, net	*7*	**(2,411,298)**	1,788,394
Administrative expenses		**(1,976,761)**	(1,712,658)
Other expenses		**(109,124)**	(126,640)
Finance costs	*8*	**(1,654)**	(5,376)
Share of results of joint ventures		**(9,592)**	112,245
Share of results of an associate		**(77,863)**	(11,236)
(LOSS) PROFIT BEFORE TAX	*9*	**(2,769,771)**	6,969,787
Income tax expense	*10*	**(73,723)**	(1,531,448)
(LOSS) PROFIT FOR THE PERIOD		**(2,843,494)**	5,438,339

* *For identification purposes only*

	Notes	Six months ended 31 December **2019** ***S$*** **Unaudited**	 2018 *S$* Unaudited
ATTRIBUTABLE TO			
Owners of the parent		**(3,184,285)**	3,652,440
Non-controlling interests		**340,791**	1,785,899
		(2,843,494)	5,438,339
(LOSS) PROFIT FOR THE PERIOD		**(2,843,494)**	5,438,339
Exchange differences on translation of foreign operations		**(1,404,338)**	(1,732,925)
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		**(4,247,832)**	3,705,414
ATTRIBUTABLE TO			
Owners of the parent		**(4,585,092)**	1,950,936
Non-controlling interests		**337,260**	1,754,478
		(4,247,832)	3,705,414
(Loss) Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (S cent)	*11*	**(0.23)**	0.31

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2019 S$ Unaudited**	30 June 2019 S$ Audited
NON-CURRENT ASSETS			
Goodwill	*13*	**9,572,681**	10,283,476
Interest/(s) in a joint venture/(s)		**3,233,527**	3,915,427
Interest in an associate		**171,987**	274,850
Plant and equipment		**169,396**	265,214
Total non-current assets		**13,147,591**	14,738,967
CURRENT ASSETS			
Inventories	*16*	**10,273**	14,306
Trade receivables, deposits and other receivables	*14*	**38,255,378**	37,944,960
Contract assets	*15*	**1,173,115**	1,870,384
Loan receivables	*19*	**4,158,465**	3,270,089
Prepayments	*17*	**6,939,104**	4,361,304
Financial assets at fair value through profit or loss	*18*	**2,274,136**	4,171,262
Cash and cash equivalents		**13,351,385**	16,992,937
Total current assets		**66,161,856**	68,625,242
CURRENT LIABILITIES			
Income tax payable		**2,462,557**	2,440,163
Trade and other payables	*20*	**6,482,474**	6,311,798
Total current liabilities		**8,945,031**	8,751,961
NET CURRENT ASSETS		**57,216,825**	59,873,281
TOTAL ASSETS LESS CURRENT LIABILITIES		**70,364,416**	74,612,248
NON-CURRENT LIABILITY			
Deferred tax liabilities		**–**	–
Total non-current liability		**–**	–
NET ASSETS		**70,364,416**	74,612,248
EQUITY			
Share capital		**2,353,555**	2,353,555
Reserves		**57,150,381**	61,735,473
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**59,503,936**	64,089,028
Non-controlling interests		**10,860,480**	10,523,220
TOTAL EQUITY		**70,364,416**	74,612,248

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Kingbo Strike Limited (the "**Company**") was incorporated in the Cayman Islands on 19 June 2013 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The Company's registered office address is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under the Companies Ordinance (Chapter 622 of 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; design, 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 in Hong Kong (the "**Trading Business**").

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2019 (the "**Interim Financial Statements**") have been prepared in accordance with International Accounting Standards ("**IASs**") 34 Interim Financial Reporting issued by the International Accounting Standard Board ("**IASB**").

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at and for the year ended 30 June 2019.

3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost convention except for financial assets at fair value through profit or loss/held-for trading investment (Note 18) which have been measured at fair value. These financial statements are presented in Singapore dollars ("**S$**").

Other than change in accounting policies resulting from application of new and amendments and interpretation to IFRSs, the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 31 December 2019 are the same as those applied in the preparation of the Group's annual financial statements for the year ended 30 June 2019.

Application of new and amendments and interpretation of IFRSs

In the current period, the Group has applied, for the first time, the following new and amendments and interpretations to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 19	Employee Benefits
Amendments to IAS 28	Investments in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle
Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments

IFRS 16 *Leases*

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 Leases.

The impact of the adoption of IFRS 16 is disclosed below. The other new or amended standards did not have any material impact on the Group's accounting policies.

The Group has initially applied IFRS 16 as from 1 July 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 July 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 July 2019. For contracts entered into before 1 July 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Leasee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 July 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 July 2019. To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 30 June 2020;

The following table reconciles the operating lease commitments as at 30 June 2019 to the opening balance for lease liabilities recognised as at 1 July 2019:

	1 July 2019
	S$
Operating lease commitments at 30 June 2019	197,999
Less: commitment relating to short-term leases with remaining lease term ending on or before 30 June 2020, exempt from capitalisation	(197,999)
Total future interest expenses	–
Total lease liabilities recognised at 1 July 2019	–

There are no significant impact on the adoption of IFRS 16 of the Company's statement of financial position as at 1 July 2019.

Except for the new IFRSs mentioned as above, the directors of the Company (the "Directors") 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.

Impact of issued not yet effective IFRSs

The Group has not applied the following IFRSs that have been issued but are not yet effective in the six months ended 31 December 2019:

Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IFRS 3	Business Combination[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
IFRS 17	Insurance Contracts[3]
Conceptual Framework for Financial Report 2018	Revised Conceptual Framework for Financial Reporting[2]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2020. Earlier application is permitted.
[3] Effective for annual periods beginning on or after 1 January 2021.

The Group's Interim Financial Statements have been reviewed by the audit committee of the Company (the "**Audit Committee**").

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future accounting periods.

5. SEGMENT INFORMATION

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

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

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

(c) provision of electrical distribution system ("**Electrical distribution system business**").

Management considers the business from product type perspective. Management monitors the results of Engineering services, Solar power business and Electrical distribution system 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 for the six months ended 31 December 2019 and six months ended 31 December 2018.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Six months ended 31 December 2019

	Engineering services *S$* Unaudited	Solar power business *S$* Unaudited	Electrical distribution system business *S$* Unaudited	Total *S$* Unaudited
Segment revenue:				
Sales to external customers	**102,735**	**16,476,616**	**3,214,527**	**19,793,878**
Segment results:	**(396,701)**	**623,414**	**302,287**	**529,000**
Unallocated losses				**(1,821,005)**
Corporate and other unallocated expenses				**(1,477,766)**
Loss before tax				**(2,769,771)**
At 31 December 2019				
Segment assets:	**16,202,135**	**52,440,856**	**3,570,485**	**72,213,476**
Corporate and other unallocated assets				**7,095,971**
Total assets				**79,309,447**
Segment liabilities:	**1,733,036**	**3,484,681**	**3,357,821**	**8,575,538**
Corporate and other unallocated liabilities				**369,493**
Total liabilities				**8,945,031**

Six months ended 31 December 2018

	Engineering services *S$* Unaudited	Solar power business *S$* Unaudited	Total *S$* Unaudited
Segment revenue:			
Sales to external customers	1,475,195	59,470,943	60,946,138
Segment results:	201,902	5,979,576	6,181,778
Unallocated gains			2,141,962
Corporate and other unallocated expenses			(1,353,953)
Profit before tax			6,969,787

At 30 June 2019

	Engineering services S$	Solar power business S$	Total S$
Segment assets:	17,889,948	55,310,727	73,200,675
Corporate and other unallocated assets			10,163,534
Total assets			83,364,209
Segment liabilities:	3,041,092	5,456,101	8,497,193
Corporate and other unallocated liabilities			254,768
Total liabilities			8,751,961

Geographical information

(a) Revenue from external customers

	Six months ended 31 December	
	2019	2018
	S$	*S$*
	Unaudited	Unaudited
Revenue		
Singapore	**102,735**	1,475,195
Mainland China	**19,691,143**	59,470,943
	19,793,878	60,946,138

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

(b) Non-current assets

	31 December 2019	30 June 2019
	S$	*S$*
	Unaudited	Audited
Singapore	**3,474,187**	4,286,083
Mainland China	**9,573,997**	10,285,243
Hong Kong	**99,407**	167,641
	13,147,591	14,738,967

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

6. REVENUE

The Group's revenue represents an appropriate proportion of contract revenue of construction contracts; the net invoiced value of goods and services sold, after allowances for returns and trade discount during the respective reporting periods.

	Six months ended 31 December	
	2019	2018
	S$	*S$*
	Unaudited	Unaudited
Contract revenue	**102,735**	1,475,195
Net invoiced value of goods and services	**19,691,143**	59,470,943
	19,793,878	60,946,138

7. OTHER GAINS AND (LOSSES), NET

	Six months ended 31 December	
	2019	2018
	S$	*S$*
	Unaudited	Unaudited
Foreign exchange differences	**(140,827)**	(172,014)
Bank interest income	**23,867**	23,105
Interest on loan receivables	**208,076**	25,368
Incentives from the Singapore Government *(Note)*	**1,551**	4,353
Net fair value (loss) gain on financial assets at fair value through profit or loss/on held-for-trading investments	**(1,895,991)**	2,198,946
Gain on disposal of plant and equipment	**10,577**	15,480
Impairment of financial assets of amortized cost, net	**(651,950)**	129,177
Others	**33,399**	(436,021)
	(2,411,298)	1,788,394

Note: 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.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 December	
	2019	2018
	S$	*S$*
	Unaudited	Unaudited
Bank charges	**(1,654)**	(5,376)

9. PROFIT (LOSS) BEFORE TAX

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

		Six months ended 31 December	
		2019	2018
		S$	*S$*
		Unaudited	Unaudited
(a)	Auditors' remuneration	**147,510**	139,711
	Depreciation of plant and equipment	**85,162**	127,052
	Gain on disposal of plant and equipment	**10,577**	15,480
	Cost of goods and services provided	**17,954,164**	52,955,598
	Minimum lease payments under operating leases	**202,239**	335,781
	Employee benefits	**940,425**	2,736,251
(b)	Employee benefits (including Directors' remuneration):		
	– Directors' fees	**198,499**	233,948
	– Salaries, wages and bonuses	**699,719**	2,411,015
	– Defined contribution retirement plans	**42,207**	91,288
		940,425	2,736,251
(c)	Net fair value loss (gain) on financial assets at fair value through profit or loss/on held-for-trading investments	**1,895,911**	(2,198,946)

10. INCOME TAX EXPENSE

	Six months ended 31 December	
	2019	2018
	S$	*S$*
	Unaudited	Unaudited
Current – Singapore		
– Charge for the period	**–**	(16,319)
Current – others (the PRC and Hong Kong)		
– Charge for the period	**(73,723)**	(1,515,129)
Deferred	**–**	–
– Tax charge for the period	**(73,723)**	(1,531,448)

The Company's profit is not subject to any tax in its country of incorporation, the Cayman Islands. No Hong Kong profits tax has been provided (six months ended 31 December 2018: Nil) since no assessable profit arose in Hong Kong during the reporting periods.

The assessable profit arising from the subsidiary in Singapore is taxed at a statutory tax rate of 17%, and on the other hand, the assessable profit arising from the subsidiaries in the PRC is subject to the PRC corporate income tax at a rate of 25%.

11. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

The weighted average number of equity shares refers to shares in issue during the period. The Group had no potentially dilutive ordinary shares (six months ended 31 December 2018: Nil) in issue during the period.

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

	Six months ended 31 December	
	2019	2018
	S$	*S$*
	Unaudited	Unaudited
(Losses) Earnings		
(Loss) Profit attributable to equity holders of the Company, used in the basic and diluted earnings (loss) per share calculation	**(3,184,285)**	3,652,440
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted (loss) earnings per share calculation	**1,390,280,000**	1,185,600,000
Basic and diluted (loss) earnings per share (S cent)	**(0.23)**	0.31

12. DIVIDEND

No dividend was declared for the six months ended 31 December 2019 (six months ended 31 December 2018: Nil).

13. GOODWILL

	S$
	Unaudited
Cost	
As at 1 July 2018	**58,236,407**
Exchange realignment	**(2,509,201)**
As at 30 June 2019 and 1 July 2019	**55,727,206**
Exchange realignment	**(1,154,786)**
As at 31 December 2019	**54,572,420**
Accumulated impairment loss	
As at 1 July 2018	**43,557,349**
Impairment loss recognised during the year	**3,845,968**
Exchange realignment	**(1,959,587)**
As at 30 June 2019 and 1 July 2019	**45,443,730**
Exchange realignment	**(443,991)**
As at 31 December 2019	**44,999,739**
Net carrying amount as at 31 December 2019	**9,572,681**

Impairment assessment

Goodwill acquired through business combinations is allocated to solar power 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 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:

The pre-tax discount rate applied to the cash flow projections is 23.81% (30 June 2019: 22.98%). The projected sales for the forecasted was prepared base on (i) budgeted sales for the year ended 30 June 2020; and (ii) prudent annualised growth rate of 5% per year for the year ended 30 June 2023 onward (30 June 2019: 5%).

As the recoverable amount of the CGU attributable to the owners of the Company as measured on value-in-use basis as at 31 December 2019 is higher than the carrying amount of S$9,572,681, it is therefore considered that there is no impairment loss on the net carrying amount of goodwill as at 31 December 2019.

14. TRADE AND OTHER RECEIVABLES

	31 December 2019 *S$* **Unaudited**	30 June 2019 *S$* Audited
Trade receivables, net of loss allowance (current):		
Third parties		
– Gross Amount	**38,821,687**	38,472,215
– Less: Provision for impairment under IFRS 9, net	**(1,137,413)**	(736,023)
	37,684,274	37,736,192
Retention sum receivables	**–**	–
	37,684,274	37,736,192
Other receivables, net of loss allowance (current):		
Interest receivables		
– Gross Amount	**240,309**	76,878
– Less: Provision for impairment under IFRS 9, net	**–**	(5,820)
	240,309	71,058
Deposits	**131,649**	129,709
Others	**199,146**	8,001
	571,104	208,768
Total trade receivables, deposits and other receivables (current)	**38,255,378**	37,944,960

Retention sum receivables refer to retention sum which will be partially billed upon the practical completion of the Group's projects, and the balance shall be billed upon the final completion of the Group's projects. Retention sum receivables are non-interest bearing and on terms based on the respective contract's retention period.

Trade receivables (excluding retention sum receivables) are non-interest bearing and ranged from of 30 to 360 days.

An aging analysis of the trade receivables (excluding retention sum receivables) as at the end of the reporting periods, based on the invoice date, are as follows:

	31 December 2019	30 June 2019
	S$	*S$*
	Unaudited	Audited
Less than 30 days	**9,972,500**	–
31 to 60 days	**8,042,782**	11,402,618
61 to 90 days	**4,021,390**	1,243
91 to 180 days	**113,420**	17,806,163
181 to 365 days	**12,258,840**	8,526,168
Over 365 days	**3,275,342**	–
	37,684,274	37,736,192

15. CONTRACT ASSETS

	31 December 2019	30 June 2019
	S$	*S$*
	Unaudited	Audited
Contract assets *(Note (a))*	**1,173,115**	1,870,384

Note:

(a) Contract assets primarily relate to the subsidiary, Strike Singapore's rights to consideration for work completed but not yet billed at reporting date for the construction projects. Included in the contract asset is the retention receivables of S$1,078,600 where customers have withheld certain amounts payable as retention money to secure the due performance of the contracts for a period of generally 12 months defect liability period after the completion of the relevant work. Contract assets are transferred to receivables when the rights become unconditional.

Management estimates the loss allowances on contract assets at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction projects. None of the amounts due from customers at the end of the reporting period is past due.

16. INVENTORIES

	31 December 2019 S$ Unaudited	30 June 2019 S$ Audited
Raw materials	**10,273**	14,306

17. PREPAYMENTS

	31 December 2019 S$ Unaudited	30 June 2019 S$ Audited
Prepayments	**6,939,104**	4,361,304

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/HELD-FOR-TRADING INVESTMENTS

	31 December 2019 S$ Unaudited	30 June 2019 S$ Audited
Listed securities held-for-trading, at fair value:		
Equity securities listed in Hong Kong	**2,274,136**	4,171,262

The above equity investments at 31 December 2019 and 30 June 2019 were classified as financial assets at fair value through profit or loss/held-for-trading investments and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

Stock code	Company name	Percentage of shareholding as at 31 December 2019	Percentage of shareholding as at 30 June 2019	Market value as at 31 December 2019 S$	Approximate percentage to the Group's net assets as at 31 December 2019	Market value as at 30 June 2019 S$	Approximate percentage to the Group's net assets as at 30 June 2019	Change in fair value of held-for-trading investments for the periods ended 31 December 2019 S$	Change in fair value of held-for-trading investments for the periods ended 31 December 2018 S$
164	China Baoli Technologies Holdings Limited	**0.067%**	0.067%	**42,713**	**0.06%**	42,728	0.06%	**–**	(258,151)
804	Pinestone Capital Limited	**0.879%**	0.843%	**1,054,483**	**1.49%**	602,774	0.81%	**452,001**	(216,411)
1869	Li Bao Ge Group Limited	**0.083%**	0.104%	**47,458**	**0.07%**	43,158	0.06%	**4,315**	(18,801)
8293	SingAsia Holdings Limited	**0.128%**	0.154%	**19,346**	**0.03%**	47,714	0.06%	**(28,356)**	173,965
8423	Chi Ho Development Holdings Limited	**1.863%**	1.863%	**1,110,136**	**1.57%**	3,434,888	4.60%	**(2,323,951)**	2,518,344
				2,274,136	**3.22%**	4,171,262	5.59%	**(1,859,991)**	2,198,946

19. LOAN RECEIVABLES

	31 December 2019	30 June 2019
	S$	*S$*
	Unaudited	Audited
Fixed-rate loan receivables (current)	**4,678,273**	3,553,272
Less: Provision for impairment under IFRS 9, net	**(519,808)**	(283,183)
	4,158,465	3,270,089

As at 31 December 2019, loan receivables included amounts of S$4,678,273. On 2 May 2019, 20 June 2019, 10 July 2019 and 28 August 2019, five loans were granted to five independents third party individuals, with principal accounts of HK$12,000,000, HK$4,500,000, HK$5,000,000, HK$4,000,000 and HK$1,500,000 and at the interest rates of 9.125%, 9.125%, 9.125%, 9.125% and 9.375% per annum respectively. These loans were all unsecured and for a term ranged from nine months to ten months.

As at 30 June 2019, loan receivables included amounts of S$3,553,272. On 15 October 2018, 2 May 2019 and 20 June 2019, three loans were granted to three independent third party individuals, with principal amounts of HK$4,000,000, HK$12,000,000 and HK$4,500,000 and at the interest rates of 8.125%, 9.125% and 9.125% per annum respectively. These loans were all unsecured and for a term of nine months.

20. TRADE AND OTHER PAYABLES

	31 December 2019	30 June 2019
	S$	*S$*
	Unaudited	Audited
Trade payables:		
Third parties	**3,240,941**	62,987
Retention sum payables	**–**	–
	3,240,941	62,987
Accruals for project costs	**1,627,837**	2,841,246
Other payables:		
Accrued liabilities	**404,744**	1,093,510
GST/VAT payable	**1,152,395**	2,249,569
Others	**56,557**	64,486
	1,613,696	3,407,565
Total trade and other payables	**6,482,474**	6,311,798

Accrued liabilities refer mainly to accrual for professional fees and employee benefits. These trade and other payables are non-interest bearing and trade payables are normally settled on terms of 30 to 90 days while other payables have an average term of 30 days.

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

	31 December 2019	30 June 2019
	S$	*S$*
	Unaudited	Audited
Trade payables:		
Less than 90 days	**3,186,131**	8,177
91-180 days	**54,810**	54,810
	3,240,941	62,987

21. RELATED PARTY TRANSACTIONS

(a) In addition to the related party information disclosed elsewhere in the financial statements, the following are the related party transactions entered into between the Group and its related parties that took place on terms and conditions agreed between the parties during the reporting periods:

		Six months ended 31 December	
		2019	2018
	Notes	***S$***	*S$*
		Unaudited	Unaudited
Sub-contractor fees charged by – joint ventures	*(i)*	**421,216**	56,665
Operating expenses recharged by – a related company	*(ii)*	**6,611**	6,462
Rental expense charged by – a related company	*(iii)*	**111,720**	111,720
Secretarial fees charged to – joint ventures	*(iv)*	**600**	1,200
Sales of raw materials to – joint ventures	*(v)*	**1,325**	–
Sales of plant and equipment to – joint ventures	*(v)*	**1,000**	–

Notes:

(i) During the reporting period, Strike Electrical Engineering Pte. Ltd. ("**Strike Singapore**"), a wholly owned subsidiary of the Company in Singapore, had subcontracted some electrical engineering works to the joint ventures.

(ii) Operating expenses recharged by a related company mainly referred to the utilities charges for the office premises which was paid on behalf by Victrad Enterprise (Pte) Limited ("**Victrad**"), a company controlled by a key management personnel of the Group.

(iii) Rental expense was charged by Victrad with reference to the rates of other similar premises.

(iv) During the reporting period, Strike Singapore provided secretarial services to the joint ventures and an associate.

(v) Strike Singapore sold raw material and plant and equipment to the joint ventures.

(b) Commitment with related parties

(i) The lease agreement for the lease of office premises entered into between Strike Singapore and Victrad was expired on 30 June 2019 and subsequently renewed for another 1 year after the financial year end.

(ii) The lease agreement for the lease of workers dormitory units entered into between Strike Singapore and Victrad was expired on 30 June 2019 and subsequently renewed for another 1 year after the financial year end.

(iii) The amount of total rental expenses charged by Victrad during the year is included in Note 21(a)(iii) to the consolidated financial statements. There are no operating lease commitments in respect of the above leases with Victrad as at the reporting date (30 June 2019: Nil).

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

	Six months ended 31 December	
	2019	2018
	S$	*S$*
	Unaudited	Unaudited
Directors' fees	**198,499**	233,948
Salaries and bonuses	**213,582**	462,298
Pension scheme contributions	**6,359**	33,531
	418,440	729,777

22. CONTINGENT LIABILITIES

At as the end of the reporting period, the contingent liabilities not provided for in the financial statements were as follows:

	31 December 2019	30 June 2019
	S$	*S$*
	Unaudited	Audited
Guarantees:		
Security bonds to the Singapore Government in relation to foreign workers	**30,000**	50,000

As required by the Singapore Government for each foreign worker hired, companies must submit a security bond of S$5,000 to the Controller of Work Passes, a government authority in managing foreign employment. During the reporting periods, the Group has hired certain foreign workers and has arranged for an insurance company to provide insurance guarantees with the Singapore Government. The Directors believe that no foreign workers of the Group have breached the relevant regulations during the reporting periods. Accordingly, the Group has not provided for any provision in relation to such law.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the performance of Kingbo Strike Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") in different business lines were as follows:

Solar Power Business

The Group's solar power business mainly engaged in supply and installation of solar photovoltaic parts and equipment. During the period, the Group has recognised a revenue of approximately RMB84.4 million (equivalent to approximately S$16.5 million) from the solar power business for the six months ended 31 December 2019, a decrease compared to a revenue of approximately RMB293.8 million (equivalent to approximately S$59.5 million) in the six months ended 31 December 2018, as the Group secured and delivered a lower volume of contracts during the period.

Electrical Engineering Services

For the six months ended 31 December 2019, the electrical engineering services in Singapore recorded a minimum revenue of approximately S$0.1 million, compare to S$1.5 million for the six months ended 31 December 2018.

Due to the fierce competition in public housing development projects in Singapore, while the Group had adopted a conservative approach in tendering new projects. Hence the Group did not secure any new projects in these six months ended 31 December 2019 (six months ended 31 December 2018: Nil).

No project had been completed during the six months ended 31 December 2019 (six months ended 31 December 2018: 1 public residential project), and there are no outstanding contracts on hand as of 31 December 2019.

Electrical Distribution System

To cope with the fierce competition in public housing development projects in Singapore, challenging environment in supply and installation of solar photovoltaic parts and equipment, and in line with corporate strategy in further fostering potential related business with good return potential, the Group commenced the provision of electrical distribution system for the period under review. The Group recorded a revenue of approximately RMB16.5 million (equivalent to approximately S$3.2 million) in the six months ended 31 December 2019.

FINANCIAL REVIEW

Revenue

For the six months ended 31 December 2019, majority of the Group's revenue was derived from solar power business and electrical distribution system in the People's Republic of China (the "**PRC**").

Revenue contributed from solar power business in the PRC and electrical distribution system in PRC comprised approximately 83.3% (S$16.5 million) and 16.2% (S$3.2 million) of the total revenue of the Group, respectively.

Operating Results

During the period under review, gross profit of the Group decreased by 73.8% to approximately S$1.8 million (six months ended 31 December 2018: S$6.9 million) as compared to the six months ended 31 December 2018. Gross profit margin dropped from that of 11.4% for the six months ended 31 December 2018 to 9.2% for the six months ended 31 December 2019. Decrease in gross profit margin is mainly attributable to pressure on gross profit margin generated from the solar power business during the period, as the decrease in government subsidies in solar project in PRC lead to pressure on gross profit margin in solar power business. Loss attributable to owners of the Company is approximately S$3.2 million (six months ended 31 December 2018: profit of S$3.7 million) and basic loss per share attributable to ordinary equity holders of the parent is S0.23 cent (six months ended 31 December 2018: earnings per share of S0.31 cent). The loss is mainly attributable to the combined effect of (i) fair value loss on held for trading investments of approximately S$1.9 million; and (ii) deteriorate in solar power business segment results to approximately S$0.6 million profit and (iii) Loss of approximately S$0.3 million in engineering services segment.

Other Gains and Losses

Other gains and losses has significantly changed from a net gain of approximately S$1.8 million for the six months ended 31 December 2018 to that of approximately S$2.4 million net loss for the six months ended 31 December 2019. This is primarily attributable to the fair value loss on held for trading investment of approximately S$1.9 million taken place in the six months ended 31 December 2019 compared to the fair value gain of S$2.2 million in the six months ended 31 December 2018.

Administrative Expenses

Administrative expenses for the six months ended 31 December 2019 increased by 17.6% to approximately S$2.0 million (six months ended 31 December 2018: S$1.7 million) which was attributable to the increase in general administrative expenses.

Share of Results of Joint Ventures

The Group's share of results of joint ventures is loss of approximately S$10,000 (six months ended 31 December 2018: profit of approximately S$112,000) during the period under review. The decrease in profits contributed from joint ventures is mainly attributable to less work done to secured projects during the six months ended 31 December 2019.

Taxation

There was a net income tax expense of approximately S$74,000 for the six months ended 31 December 2019 compared to approximately S$1.5 million for the six months ended 31 December 2018 mainly due to decrease in profit in solar power business in PRC.

Liquidity, Financial Resources and Gearing

As at 31 December 2019, net current assets of the Group was approximately S$57.2 million (30 June 2019: S$59.9 million). Besides, the Group maintained cash and cash equivalents of approximately S$13.4 million (30 June 2019: S$17.0 million), of which approximately 1.2% was in Hong Kong dollars, 80.6% was in Singapore dollars and 18.2% was in other currencies (30 June 2019: 13.5% was in Hong Kong dollars and 68.6% was in Singapore dollars).

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 2019: Nil), 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.

Capital Structure

2019 Placing

On 14 March 2019, the Company entered into a placing agreement (the "**2019 Placing Agreement**") with RIFA Securities Limited, pursuant to which RIFA Securities Limited agreed to place up to 237,120,000 new shares of the Company to not less than six placees on a best effort basis at a placing price of HK$0.183 per placing share (the "**2019 Placing**"). The Placing was completed on 2 April 2019 and 204,680,000 new shares of the Company with an aggregate nominal value of HK$2,046,800 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$0.183 represents (i) a discount of approximately 8.5% to the closing price of HK$0.2 per share as quoted on the Stock Exchange on 14 March 2019, being the date of the 2019 Placing Agreement; and (ii) a discount of approximately 9.6% to the average closing price of HK$0.202 per share of the Company as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to date of the 2019 Placing Agreement. The net placing price for the 2019 Placing was approximately HK$0.180 per placing share.

The 2019 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$36.9 million arising from the 2019 Placing was applied as general working capital of the Group.

As at 31 December 2019, the Group had utilised the net proceeds of the 2019 Placing as follows:

Intended use of net proceeds	**Allocation of net proceeds** *HK$ (million)*	**Utilisation up to the six months ended 31 December 2019** *HK$ (million)*	**Remaining balance of unused net proceeds as at 31 December 2019** *HK$ (million)*
General working capital of the Group	**36.9**	**25.7**	**11.2**

The following table sets out the breakdown of the use of proceeds of the 2019 Placing as general working capital of the Group:

	Utilisation as at the financial year ended 30 June 2019 *HK$ (million)*	**Utilisation up to 31 December 2019** *HK$ (million)*	**Intended use of remaining balance of unused net proceeds as at 31 December 2019** *HK$ (million)*
Human resources	**0.5**	**3.8**	**3.6**
Office utilities	**0.2**	**1.1**	**2.5**
Other general expenses	**0.5**	**2.8**	**3.1**
General working capital in respect of solar power business	**12.0**	**18.0**	**2.0**
Total	**13.2**	**25.7**	**11.2**

The company expected that remaining balance of unused net proceeds to be utilised by or around 30 June 2020.

The utilised and the intended use of the remaining balance of unused net proceeds was and will be in accordance to the original intention disclosed in the announcement of the company dated 14 March 2019 in relation to the 2019 Placing.

The Group had fully utilised the net proceeds of the 2018 placing as of 30 June 2019, details breakdown of the use of proceeds can refer to pages 12 and 13 of the annual report for the year ended 30 June 2019.

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

The Group primarily financed its operations with internally generated cash flows, and by its internal resources and shareholder's equity. Cash was generally placed in short-term deposits. The liquidity and financing requirements of the Group were reviewed regularly.

The Group's business mainly operates in Singapore, PRC and Hong Kong. Accordingly, its revenue and transactions arising from its operations were generally settled in Singapore dollars, Renminbi and United States dollars and Hong Kong dollars. As a result, fluctuations in the value of Hong Kong dollars/United States dollars and Renminbi against Singapore dollars could adversely affect the cash and cash equivalent which is reported in Singapore dollars. During the six months ended 31 December 2019, the Group did not experience in any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation.

The Group did not use any financial instruments for hedging purposes during the six months ended 31 December 2019 and there was no hedging instrument outstanding as at 31 December 2019. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

Charge on Assets

As at 31 December 2019 and 30 June 2019, the Group had no charges on its assets.

Capital Expenditure and Commitments

During the six months ended 31 December 2019, the Group did not make significant capital expenditure (2018: S$346,000).

As at 31 December 2019 and 30 June 2019, the Group had no material capital commitment contracted for but not provided in the condensed consolidated financial statements.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

As at 31 December 2019, the Group held certain listed securities as financial assets at fair value through profit or loss/held-for-trading investments.

The Group identified its investments based on the share price performance and future prospect of the investments. For the six months ended 31 December 2019, the Group did not receive any dividend income (six months ended 31 December 2018: Nil) from investment in listed securities and made a fair value loss of S$1.9 million (six months ended 31 December 2018: fair value gain of S$2.2 million) on held-for-trading investments. This fair value loss is mainly the combination effect of: (i) decrease in share price of 67.7% of Chi Ho Development Holdings Limited ("**Chi Ho**"); (ii) increase in share price of 10.0% of Li Bao Ge Group Limited ("**Li Bao Ge**"); (iii) increase in the share price of Pinestone Capital Limited ("**Pinestone**") of 75.0%; and (iv) decrease in share prices of 59.4% of SingAsia Holdings Limited ("**SingAsia HLDG**") during the six months ended 31 December 2019.

Details of all the financial assets at fair value through profit or loss/held-for-trading investments were set out in note 18 to the condensed consolidated financial statements.

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 expenses for the financial year ended 31 December 2018 of Pinestone is approximately HK$3.0 million, which has decreased by approximately 121.3% compared to that of the previous year. Pinestone continued to record a profit of HK$3.3 million for the six months ended 30 June 2019. Pinestone will continue to closely observe the changes in political and business environment and dynamically explore strategic opportunities to broaden client reach, improve their business platform, cultivate business alliances collaborations. Being optimistic in the securities industry in Hong Kong, the Company is positive towards the prospect of Hong Kong-based financial services provider.

Li Bao Ge is principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and the PRC. Li Bao Ge recorded losses of HK$9.5 million for the six months ended 30 June 2019 which was mainly due to the combined effects of adoption of the new accounting standard HKFRS 16 "leases" with effect from 1 January 2019.

On January 2020, Li Bao Ge announced a cooperation agreement with Shanghai Freshippo Network Technology, a member of Alibaba Group Holding Limited in relation to the access in the food delivery and takeaway market in Shanghai. Li Bao Ge will launch their own brand products in Shanghai Freshippo physical stores and digital platform and this would increase Li Bao Ge exposure to a wider customer base through Shanghai Freshippo network. The Company regard this is a positive move to Li Bao Ge.

SingAsia HLDG is principally engaged in the provision of manpower, outsourcing, recruitment, trading and cleaning services. Although SingAsia HLDG recorded a loss for the financial year ended 31 July 2019, it could still maintain a low double digit growth in revenue compare to previous year, from the effort of SingAsia HLDG management.

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. Chi Ho record a profit of HK$9.2 million for the six months ended 30 September 2019, increased from the profit of HK$7.0 million for the previous period.

China Baoli is principally engaged in mobile technologies business, tourism and hospitality business, gamma ray irradiation services, and securities trading and investment. Although China Baoli recorded a loss for the financial year ended 31 March 2019 and for the six months ended 30 September 2019, they are committed to enhancing its existing business through increasing the product mix and increasing its efficiencies, thereby improving its market competitiveness and maintaining its overall performance.

The Company is cautious optimistic towards the prospect of the above listed companies in long term.

Save for those disclosed above, note 18 to the condensed consolidated financial statements, interests in joint ventures and interests in an associate, there were no other significant investments held. Other than the announcement dated 22 November 2019 in relation to the disposal of a joint venture company, there are no material acquisitions or disposals during the period under review.

Contingent Liabilities

Save as disclosed in note 22 to the condensed consolidated financial statements, the Group had no other contingent liabilities as at 31 December 2019.

Employment and Remuneration Policy

As at 31 December 2019, the total number of employees of the Group was 22 (30 June 2019: 27). During the period under review, employees costs (including Directors' emoluments) amounted to approximately S$940,000 (six months ended 31 December 2018: S$2.7 million). Remuneration of the employees which included salary and discretionary bonus was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to qualified personnel.

Prospects

The release of 2018 Photovoltaic Power Generation Notice ("**New Policy**") on May 2018, and the subsequent circular on construction of Wind and Photovoltaic ("**PV**") Power Generation project ("**Circular**") on May 2019, lead to a transformation of PRC's PV industry to a market led, with focus on the development of non-subsidised projects (grid parity). Although subsidy would continue at a lower level before the grid parity being achieved, the Group world expect that pressure on profitability and industry consolidation to continue in the coming year. Furthermore, the fierce competition in public housing development in Singapore would also bring challenges to the Group.

To cope with those challenge and in line with the corporate strategy in further fostering potential related business with good return potential, the Group had further expand to the provision of electrical distribution system for the period under review.

Furthermore, since the outbreak of the 2019 novel coronavirus (COVID-19) in January 2020, a number of provinces and cities in the PRC have activated the highest-level response to major public health emergencies by adopting stringent measures aimed to curb the spread of COVID-19. This included the suspension or limited services of transportation facilities and factories operation.

Although our operation in PRC is unaffected up to January 2020, the board is closely monitor the development and impact of the outbreak of COVID-19 to the Group from time to time and formulating responses accordingly.

Looking forward, the Group will continue to make solid efforts in seeking for related business with good return potential, including but not limited to further expand in electrical distribution system business, operation and management of solar farms, so as to enhance the value of the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to establish and maintain high standard of corporate governance. The Company believes that good corporate governance system provides a sustainable and solid foundation for the Company to manage business risks, enhance transparency, advance accountability and maximise shareholders' interests.

The Company has applied the principles of Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and complied with all applicable code provisions of the CG Code throughout the six months ended 31 December 2019, save and except for the deviations from code provisions A.2.1.

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, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code during the six months ended 31 December 2019.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATE CORPORATION

As at 31 December 2019, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive have taken or deemed to have taken under such provisions of the SFO); (ii) recorded in the register kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long Positions in Shares and Underlying Shares of the Company

Director	**Capacity/Nature**	**Number of shares held/ interested in**	**Percentage of interest in the Company**
Mr. Liu Yancheng	Beneficial owner	7,600,000	0.55%
	Interest of spouse *(Note 1)*	5,000,000	0.36%
Mr. Yao Runxiong	Beneficial owner	12,050,000	0.87%
	Interest of spouse *(Note 2)*	18,630,000	1.34%

Notes:

1. 5,000,000 shares of the Company are legally and beneficially owned by Ms. Zhang Juanying, the spouse of Mr. Liu Yancheng. Mr. Liu Yancheng is therefore deemed to be interested in the 5,000,000 shares of the Company for the purposes of the SFO.

2. 18,630,000 shares of the Company are legally and beneficially owned by Ms. Zhuang Yanzhu, the spouse of Mr. Yao Runxiong. Mr. Yao Runxiong is therefore deemed to be interested in the 18,630,000 shares of the Company for the purposes of the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

A new share option scheme was adopted by the Company following the resolution passed at the annual general meeting of the Company held on 20 October 2017. The main purpose of the scheme is to provide incentives and rewards to the eligible participants including full time or part time employees of the Group (including any directors); and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group.

There were no share options granted under the scheme since its adoption.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the above "SHARE OPTION SCHEME", at no time during the six months ended 31 December 2019 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2019, the Company has not been notified by any person or entity who had or was deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of SFO.

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

During the six months ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 31 December 2019.

AUDIT COMMITTEE

The Audit Committee was established on 9 December 2013 with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. The Audit Committee comprises of four non-executive Directors, amongst which three are independent. They are namely Mr. Leung Po Hon, Mr. Li Jin, Dr. Luo Xiaodong and Mr. Tam Tak Wah. Mr Leung Po Hon is the chairman of the Audit Committee.

The Audit Committee has reviewed with senior management the accounting principles and practices adopted by the Group and also discussed the financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Company for the six months ended 31 December 2019.

By Order of the Board
Kingbo Strike Limited
Liu Yancheng
Chairman

Hong Kong, 25 February 2020