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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 2022

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 2022 (the “**Review Period**”), together with the comparative figures for the corresponding six months ended 30 September 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended	
		30 September	
		2022	2021
	Note	S\$	S\$
		(Unaudited)	(Unaudited)
Revenue	4	22,648,704	18,146,703
Costs of sales and services		(19,731,633)	(13,230,937)
Gross profit		2,917,071	4,915,766
Other income		327,330	465,533
Other gains and losses		(115,200)	(196,962)
Selling expenses		(37,923)	(21,023)
Administrative expenses		(5,296,043)	(4,458,454)
Reversal of impairment loss on financial assets		32,963	—
Finance costs	5	(9,440)	(3,873)
Share of loss of associates		(37,588)	(12,954)
(Loss)/profit before taxation		(2,218,830)	688,033
Income tax expense	6	(84,766)	(294,867)
(Loss)/profit for the period	7	(2,303,596)	393,166

		Six months ended	
		30 September	
		2022	2021
	<i>Note</i>	S\$	S\$
		(Unaudited)	(Unaudited)
Other comprehensive (loss)/income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(1,025,586)</u>	<u>92,996</u>
Total comprehensive (loss)/income for the period		<u><u>(3,329,182)</u></u>	<u><u>486,162</u></u>
(Loss)/profit for the period attributable to:			
Owners of the Company		<u>(2,339,613)</u>	394,363
Non-controlling interests		<u>36,017</u>	<u>(1,197)</u>
		<u><u>(2,303,596)</u></u>	<u><u>393,166</u></u>
Total comprehensive (loss)/income attributable to:			
Owners of the Company		<u>(3,452,039)</u>	613,363
Non-controlling interests		<u>122,857</u>	<u>(127,201)</u>
		<u><u>(3,329,182)</u></u>	<u><u>486,162</u></u>
Basic and diluted (loss)/earnings per share (S\$ cents)	<i>9</i>	<u><u>(0.20)</u></u>	<u><u>0.04</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		30 September 2022 S\$ (Unaudited)	31 March 2022 S\$ (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		7,092,579	6,610,981
Interest in associates		3,309,882	672,131
Finance lease receivable	11	—	395,770
Equity Investment at FVTOCI		408,255	215,376
Financial assets at fair value through profit or loss		1,620,622	1,742,166
		<u>12,431,338</u>	<u>9,636,424</u>
Current assets			
Inventories		663,635	1,162,512
Trade receivables	10	7,731,058	9,080,148
Finance lease receivable	11	1,314,871	1,399,320
Other receivables, deposits and prepayments		12,881,139	12,643,108
Amounts due from related parties		1,070,802	215,376
Financial assets at fair value through profit or loss		3,736,808	6,414,903
Bank balances and cash		28,765,774	32,433,321
		<u>56,164,087</u>	<u>63,348,688</u>
Current liabilities			
Trade and other payables	12	4,377,328	7,553,464
Amount due to related parties		52,256	583,728
Lease liabilities		350,606	157,790
Income tax payable		670,486	1,000,777
		<u>5,450,676</u>	<u>9,295,759</u>
Net current assets		<u>50,713,411</u>	<u>54,052,929</u>
Total assets less current liabilities		<u>63,144,749</u>	<u>63,689,353</u>

	30 September 2022 S\$ (Unaudited)	31 March 2022 S\$ (Audited)
Non-current liabilities		
Deferred tax liabilities	120,701	120,701
Lease liabilities	280,414	81,575
	<u>401,115</u>	<u>202,276</u>
Net assets	<u>62,743,634</u>	<u>63,487,077</u>
EQUITY		
Capital and reserves		
Share capital	2,142,708	1,966,310
Reserves	58,872,897	59,964,732
	<u>61,015,605</u>	<u>61,931,042</u>
Equity attributable to owners of the Company	61,015,605	61,931,042
Non-controlling interests	1,728,029	1,556,035
	<u>1,728,029</u>	<u>1,556,035</u>
Total equity	<u>62,743,634</u>	<u>63,487,077</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 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 2022 were approved by the Board of the Company on 30 November 2022.

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 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2022.

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s consolidated financial statements:

- | | |
|------------------------|--|
| • Amendments to IFRS 3 | Reference to the Conceptual Framework |
| • Amendments to IAS 16 | Property, Plant and Equipment — Proceeds before Intended Use |
| • Amendment to IFRS 16 | Covid-19 Related Rent Concessions beyond 30 June 2021 |
| • Amendments to IAS 37 | Onerous Contracts — Cost of Fulfilling a Contract |
| • Amendments to IFRSs | Annual Improvements IFRSs 2018-2020 |

The application of the amendments to IFRSs in the current interim period has no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements. The consolidated financial statements of the Group for the six months ended 30 September 2022 are unaudited but have been reviewed by the Company’s Audit Committee.

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 period 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 for the period is as follows:

	Six months ended	
	30 September	
	2022	2021
	S\$	S\$
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15:		
Integrated Building Services	17,750,204	16,633,764
Building Construction Works	5,463,830	2,174,548
Industrial Hemp	—	—
	23,214,034	18,808,312
Income from other sources		
Blockchain Technology Development and Application (<i>note</i>)	(565,330)	(661,609)
	22,648,704	18,146,703

Note:

	Six months ended	
	30 September	
	2022	2021
	S\$	S\$
	(Unaudited)	(Unaudited)
Income from blockchain technology development and application business		
Fair value (loss)/gain on digital assets inventories	<u>(565,330)</u>	<u>(661,609)</u>

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	
	2022	2021
	S\$	S\$
	(Unaudited)	(Unaudited)
Customer I (Note a)	6,636,030	1,902,263
Customer II (Note b)	5,784,626	4,344,738
Customer III (Note c)	2,800,531	3,496,600

Notes:

- (a) For Customer I, revenue for the six months period ended 30 September 2022 represents revenue generated from provision of both integrated building services and building construction works, while revenue for the six months period ended 30 September 2021 represents revenue generated from integrated building services only.
- (b) For Customer II, revenue for the six months ended 30 September 2022 and 2021 represents revenue generated from provision of integrated building services.
- (c) For Customer III, revenue for the six months ended 30 September 2022 and 2021 represents revenue generated from provision of both integrated building services and building construction works.

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:

	Six months ended	
	30 September	
	2022	2021
	S\$	S\$
	(Unaudited)	(Unaudited)
<i>Revenue from external customers</i>		
Singapore	23,214,034	18,808,312
People's Republic of China ("PRC")	—	—
	<u>23,214,034</u>	<u>18,808,312</u>
<i>Income from external customers</i>		
Hong Kong	(565,330)	(661,609)
Canada	—	—
	<u>22,648,704</u>	<u>18,146,703</u>
	30 September	31 March
	2022	2022
	S\$	S\$
	(Unaudited)	(Audited)
<i>Non-current assets</i>		
Singapore	6,895,212	6,542,132
The Republic of China (including Hong Kong)	3,507,249	740,980
	<u>10,402,461</u>	<u>7,283,112</u>

Disaggregation of revenue

Revenue from contracts with customers within the scope of IFRS 15 is further analysed as follows:

	Integrated		Building		Industrial Hemp		Total	
	Building Services		Construction Works					
	2022	2021	2022	2021	2022	2021	2022	2021
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Disaggregation by timing of revenue recognition

Over time	<u>17,750,204</u>	<u>16,633,764</u>	<u>5,463,830</u>	<u>2,174,548</u>	<u>—</u>	<u>—</u>	<u>23,214,034</u>	<u>18,808,312</u>
	<u>17,750,204</u>	<u>16,633,764</u>	<u>5,463,830</u>	<u>2,174,548</u>	<u>—</u>	<u>—</u>	<u>23,214,034</u>	<u>18,808,312</u>

5. FINANCE COSTS

	Six months ended	
	30 September	
	2022	2021
	S\$	S\$
	(Unaudited)	(Unaudited)
Interest costs on lease liabilities	<u>9,440</u>	<u>3,873</u>

6. INCOME TAX EXPENSE

Singapore CIT is calculated at 17% (2021: 17%) of the estimated assessable profits eligible for CIT rebate of 25%, capped at S\$15,000 for the years of assessment 2022 and 2021. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$190,000 of normal chargeable income for the years of assessment 2022 and 2021.

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated on the same basis as 2021.

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	
	2022	2021
	S\$	S\$
	(Unaudited)	(Unaudited)
Tax expense comprises:		
Current income tax		
— Singapore corporate income tax	49,738	445,011
— Hong Kong profits tax	34,998	—
— PRC corporate income tax	—	—
Overprovision in respect of prior years	30	(150,144)
	84,766	294,867

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended	
	30 September	
	2022	2021
	S\$	S\$
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	236,130	348,391
Depreciation of right-of-use assets	146,368	130,649
Staff costs (including directors' remuneration)		
— Salaries and other benefits	4,275,720	3,708,294
— Contributions to Singapore CPF & Hong Kong MPF	160,541	131,792
— Equity-settled share-based payment	—	39,083
Total staff costs	4,436,261	3,879,169
Cost of materials	1,296,058	1,751,780
Subcontractor costs	16,432,257	9,718,455

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2022 (Six months ended 30 September 2021: Nil).

9. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to the owners of the Company (<i>S\$</i>)	<u>(2,339,613)</u>	<u>394,363</u>
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings per share	<u>1,195,040,000</u>	<u>1,095,040,000</u>
Basic and diluted (loss)/earnings per share (<i>S\$ cents</i>)	<u>(0.20)</u>	<u>0.04</u>

10. TRADE RECEIVABLES

	30 September	31 March
	2022	2022
	<i>S\$</i>	<i>S\$</i>
	(Unaudited)	(Audited)
Billed trade receivables	5,598,250	5,749,789
Unbilled trade receivables (<i>Note a</i>)	<u>2,132,808</u>	<u>3,330,359</u>
	<u>7,731,058</u>	<u>9,080,148</u>

Note:

- (a) Unbilled trade receivables represent (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 2022 S\$ (Unaudited)	31 March 2022 S\$ (Audited)
Within 90 days	4,693,414	4,656,247
91 days to 180 days	462,836	377,287
181 days to 365 days	303,903	414,207
Over 1 year but not more than 2 years	72,278	235,708
More than 2 years	65,819	66,340
	<u>5,598,250</u>	<u>5,749,789</u>

11. FINANCE LEASE RECEIVABLE

	Minimum lease payments receivable		Present value of minimum lease payments receivable	
	30 September 2022 (Unaudited) S\$	31 March 2022 (Audited) S\$	30 September 2022 (Unaudited) S\$	31 March 2022 (Audited) S\$
Finance lease receivable comprises:				
Within one year	1,523,912	1,693,622	1,491,974	1,617,516
In the second year	—	401,973	—	395,770
	<u>1,523,912</u>	<u>2,095,595</u>	<u>1,491,974</u>	<u>2,013,286</u>
Less: Unearned finance lease income	(31,938)	(82,309)	—	—
	<u>1,491,974</u>	<u>2,013,286</u>	<u>1,491,974</u>	<u>2,013,286</u>
Less: Provision for impairment loss	(177,103)	(218,196)	(177,103)	(218,196)
Present value of minimum lease payments receivable	<u>1,314,871</u>	<u>1,795,090</u>	<u>1,314,871</u>	<u>1,795,090</u>

	30 September 2022 (Unaudited) S\$	31 March 2022 (Audited) S\$
Analysis for reporting purpose:		
Current assets	1,314,871	1,399,320
Non-current assets	—	395,770
	<u>1,314,871</u>	<u>1,795,090</u>

The following is a credit quality analysis of the finance lease receivable. In the event that an instalment repayment of a finance lease is overdue for more than 30 days, the entire outstanding balance of the finance lease receivable is classified as overdue. If the instalment repayment is overdue within 30 days, only the balance of this instalment is classified as overdue.

As at 30 September 2022 and 31 March 2022, certain instalments of the finance lease receivable have been overdue for more than 90 days. The Directors considered that there has been a significant increase in credit risk in the finance lease receivable. However, taken into account the historical repayment patterns of the debtor, the Directors considered that the finance lease receivable is not credit-impaired.

	30 September 2022 (Unaudited) S\$	31 March 2022 (Audited) S\$
Overdue but not credit impaired		
— Overdue more than 90 days	1,491,974	2,013,286
Less: allowance for impairment losses	(177,103)	(218,196)
	<u>1,314,871</u>	<u>1,795,090</u>

Finance lease receivable is secured by lease assets.

12. TRADE AND OTHER PAYABLES

	30 September 2022 S\$ (Unaudited)	31 March 2022 S\$ (Audited)
Trade payables	3,174,922	3,456,967
Trade accruals	2,996	2,860,764
	<hr/>	<hr/>
Accrued operating expenses	3,177,918 589,019	6,317,731 541,658
Other payables		
GST payable	246,413	286,449
Others	363,978	407,626
	<hr/>	<hr/>
	4,377,328	7,553,464
	<hr/> <hr/>	<hr/> <hr/>

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

	30 September 2022 S\$ (Unaudited)	31 March 2022 S\$ (Audited)
Within 90 days	2,899,241	3,198,874
91 days to 180 days	153,560	107,008
181 days to 365 days	40,829	62,159
Over 1 year but not more than 2 years	63,246	71,053
Over 2 years	18,045	17,873
	<hr/>	<hr/>
	3,174,922	3,456,967
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The credit period on purchases from suppliers and subcontractors is between 15 to 90 days (31 March 2022: 15 to 90 days) or payable upon delivery.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group's revenue increased from approximately S\$18.1 million for the six months ended 30 September 2021 (the "Last Period") to approximately S\$22.6 million for the Review Period. The Group's gross profit decreased from approximately S\$4.9 million for the Last Period to approximately S\$2.9 million for the Review Period, while the Group's gross profit margin decreased from approximately 27.1% for the Last Period to approximately 12.9% for the Review Period.

According to Singapore Building and Construction Authority ("BCA"), the total construction demand (i.e. the value of construction contracts to be awarded) in 2022 is projected to be between S\$27 billion and S\$32 billion. The public sector is expected to contribute about 60 per cent of the total construction demand, between S\$16 billion and S\$19 billion. The private sector construction demand is anticipated to reach between S\$11 billion and S\$13 billion in 2022, comparable with the volume in 2021. Given the latest property cooling measures, residential building demand is anticipated to moderate year-on-year amid more cautious market sentiments. However, commercial building demand is expected to increase as hotels and attractions undergo refurbishment to prepare for inbound tourism revival, and older commercial premises are earmarked for redevelopment to enhance their asset values.

Over the medium-term, BCA expects the total construction demand to reach between S\$25 billion and S\$32 billion per year from 2023 to 2026. The public sector is expected to lead the demand and contribute S\$14 billion to S\$18 billion per year from 2023 to 2026. About half of the demand will come from building projects and the other half from civil engineering works. The private sector construction demand is projected to remain steady over the medium-term, reaching about S\$11 billion to S\$14 billion per year from 2023 to 2026, in view of healthy investment appetite amid Singapore's strong economic fundamentals.

The Group believes that the outlook for the construction sector will remain challenging for 2022 and 2023 and in view of the continued uncertainties in the external environment and negative economic outlook in Singapore and major economies around the world impacted by COVID-19. All of these constraints make tenders far more competitive and profitability far lesser than were the cases previously. The Group is monitoring the situation closely and will maintain operational and financial prudence amidst a challenging economy. The Group will continue to manage its expenditure, review the business strategy constantly and look for opportunities in a cautious and prudent manner.

During the Review Period, the Group's revenue from blockchain technology development and application business recorded a loss of approximately S\$0.6 million, as compared with a loss of approximately S\$0.7 million for the Last Period. Due to the negative market environment for Bitcoin during the Review Period, the Group strategically maintained a low transaction volume of Bitcoin trading during the Review Period.

The Group's industrial hemp business was not active during the Review Period.

Future Prospects

The Group intends to continue the existing principal businesses. 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.

In May 2022, the Securities and Futures Commission has approved Grandshores Asset Management Limited, a wholly-owned subsidiary of the Company, to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined in Schedule 5 to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The Group will gradually allocate resources to develop new financial services business, including asset management and other financial services.

FINANCIAL REVIEW

Revenue

For the Review Period, the Group recorded a revenue of approximately S\$22.6 million (approximately S\$18.1 million for the Last Period), an increase of approximately S\$4.5 million or approximately 24.8%.

The revenue from the integrated building services increased from approximately S\$16.6 million for the Last Period to approximately S\$17.8 million for the Review Period, an increase of approximately S\$1.2 million or 6.7%. The increase is mainly due to the increase in amount of the integrated building services works performed resulted from a more aggressive pricing strategy implemented by the Group during the Review Period.

Revenue attributable to the building construction works increased approximately S\$3.3 million or approximately 151.3%, from approximately S\$2.2 million for the Last Period to approximately S\$5.5 million for the Review Period, mainly due to more aggressive pricing strategy implemented by the Group with an intention to increase market penetration, more construction jobs were tendered and performed during the Review Period.

The revenue generated from the blockchain technology development and application business for the Review Period was fairly stable if compared with the Last Period. For both periods the Group's transaction volume of Bitcoin trading was low due to the negative market environment for crypto assets.

No revenue was generated from Industrial Hemp business for both the Review period and the Last Period.

Cost of sales and services

The Group's cost of sales and services increased from approximately S\$13.2 million for the Last Period to approximately S\$19.7 million for the Review Period, which representing an increase of approximately S\$6.5 million or approximately 49.1%. The increase was mainly driven by the increase in revenue from integrated building service business and building constructions works business.

During the Review Period, the magnitude of increase in the Group's cost of sales and services is higher than the increase in the Group's revenue, which was mainly resulted from the following factors:

- (i) Due to the continued uncertainties in the external environment and negative economic outlook in Singapore and major economies around the world as impacted by Coronavirus Disease 2019 (“COVID-19”) make tenders far more competitive and less profitable than prior periods;
- (ii) In order to increase market penetration, the Group implemented an aggressive pricing strategy during the Review Period that sacrifice certain profit margin in short to medium term;
- (iii) the construction labors shortage in Singapore has driven up the direct labour costs and subcontracting charges for the Review Period. The Group also increased the use of subcontractors during the Review Period to meet with the committed projects timeline which further reduced its gross profit margins; and
- (iv) the increase in revenue was mainly contributed from building construction works which the gross margin is traditionally lower than other businesses.

Gross profit and gross profit margin

The Group's gross profit decreased from approximately S\$4.9 million for the Last Period to approximately S\$2.9 million for the Review Period, a decrease of approximately S\$2.0 million or approximately 40.7%.

The Group's gross profit margin also decreased from 27.1% for the Last Period to approximately 12.9% for the Review Period. Such decrease was mainly due to the increase in cost of sales and services discussed above.

Other gains and losses

The Group's other gains and losses changed from loss of approximately S\$197,000 for the Last Period to loss of approximately S\$115,200 for the Review Period. Such change was the net impact of an increase in the recognition of fair value loss on financial assets through profit or loss from approximately S\$0.5 million for the Last Period to approximately S\$2.3 million for the Review Period, which resulted from the decline of global financial market during the Review Period; and an increase in foreign exchange gain on monetary items and cash and cash equivalent from approximately S\$0.3 million for the Last Period to approximately S\$2.1 million for the Review Period, which resulted from the appreciation of Hong Kong dollars and USD against Singapore dollars during the Review Period.

Administrative expenses

The Group's administrative expenses increased from approximately S\$4.5 million for the Last Period to approximately S\$5.3 million for the Review Period, an increase of approximately S\$0.8 million or approximately 18.8%. The increase was mainly resulted from the labour shortage in Singapore drove up the salary and foreign worker levy expenses in Singapore. Moreover, more setup and payroll costs were incurred for the Group's newly developed financial service and digital art businesses.

Finance costs

The Group's finance costs increased from approximately S\$4,000 for the Last Period to approximately S\$9,000 for the Review Period. This is due to the increase in lease interest as the Group entered into additional dormitory leases during the Review Period.

Income tax expense

The Group's income tax expense decreased from approximately S\$295,000 for the Last Period to approximately S\$85,000 for the Review Period, a decrease of approximately S\$210,000 or approximately 71.3% which is due to the decrease in taxable profit.

(Loss)/profit attributable to owners of the Company

The Group's (loss)/profit attributable to owners of the Company changed from profit of approximately S\$394,000 for the Last Period to loss of approximately S\$2,340,000 for the Review Period. The change was mainly due to the decrease in gross profit and the increase in fair value loss on financial assets as discussed above.

Interim dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2022 (Six months ended 30 September 2021: Nil).

Liquidity and financial resources

The Group maintained a healthy financial position during the Review Period. As at 30 September 2022, the Group had total bank balances and cash of approximately S\$28.8 million (31 March 2022: approximately S\$32.4 million). The current ratio of the Group as at 30 September 2022 was approximately 10.3 times (31 March 2022: approximately 6.8 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 Review Period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk. The Group recorded a foreign exchange gain of approximately S\$2.1 million for the Review Period (gain of approximately S\$333,000 for the Last Period).

Material acquisition and disposal of subsidiaries and associated companies and joint ventures

On 27 May 2022, Grandshores Technology (Hong Kong) Limited ("**GS (HK)**"), a wholly-owned subsidiary of the Company, and Lion Wealth Management Limited ("**Lion WM**"), agreed to increase their capital contribution in Aquarius II Sponsor Ltd. ("**Aquarius**") by subscription of 49 and 51 new ordinary shares with no par value in the issued share capital of Aquarius for an aggregate subscription price of US\$1,592,500 and US\$1,657,500, respectively (the "**Capital Increase**"). Aquarius is an associate of the Company and is owned as to 49% and 51% by GS (HK) and Lion WM, respectively, since its incorporation. Upon completion of the Capital Increase, the Group will continue to hold 49% of the issued shares of Aquarius and will continue to account for its interest in Aquarius as an associate. For details, please refer to the announcement of the Company dated 27 May 2022.

Employees and remuneration policy

As at 30 September 2022, the Group employed a total of 292 full-time employees (including executive Director), as compared to 246 full-time employees as at 31 March 2022. 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 of the Singapore integrated building service business and building construction works business 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

- (a) On 3 October 2022, Grand Shores Blockchain Group Limited ("**GS Blockchain**"), a wholly-owned subsidiary of the Company, and Ms. Zhou Hongmei ("**Ms. Zhou**") entered into an agreement, under which GS Blockchain as purchaser has conditionally agreed to acquire, and Ms. Zhou as vendor has conditionally agreed to sell 40% of the total issued share capital of Grandshores Creative Technology Limited ("**GS Creative**"), a 60% owned subsidiary of the Company for a consideration of HK\$6,050,000. Upon Completion, GS Creative will become a wholly-owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 3 October 2022.
- (b) The market price of Bitcoin has been decreased from approximately US\$20,000 as at 30 September 2022 to approximately US\$17,000 as at the date of this announcement, resulting to fair value loss on digital assets inventories of approximately US\$45,000 (equivalent to approximately S\$63,000).

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 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Code provision C.2.1 of the CG Code stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual.

During the Review Period, the role of the Chairman of the Board is performed by Mr. Yao Yongjie, while the office of the Chief Executive Officer of the Company is vacated following the resignation of Mr. Li Wei on 23 July 2021. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post of the Chief Executive Officer as appropriate.

To the best knowledge of the Board, the Company has complied with the CG code for the Review Year, save for the deviation from code provision C.2.1 as disclosed above.

Purchase, Sales or Redemption of the Company’s Securities

For the six months ended 30 September 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities.

Review of Interim Results by the Audit Committee

The unaudited consolidated financial results of the Group for the six months ended 30 September 2022 have 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, 30 November 2022

As at the date of this announcement, the Board comprises Mr. Yao Yongjie as an executive Director; Mr. Chua Seng Hai, Ms. Lu Xuwen and Ms. Yu Zhuochen as non-executive Directors; and Mr. Chu Chung Yue, Howard, Mr. Li Kanlin and Mr. Fan Jianyin as independent non-executive Directors.