



Grandshores Technology Group Limited

雄岸科技集團有限公司

(Formerly known as SHIS Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1647)

2018

Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

Mr. Yao Yongjie (*Chairman*)

(appointed on 30 May 2018)

Mr. Li Xiaolai

(appointed on 3 December 2018)

NON-EXECUTIVE DIRECTORS

Mr. Chua Seng Hai

(resigned on 30 June 2018)

Ms. Lu Xuwen

(appointed on 8 October 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Chung Yue, Howard

(appointed on 30 June 2018)

Dr. Zhang Weining

(appointed on 30 June 2018)

Mr. Yu Wenzhuo

(appointed on 30 June 2018)

AUDIT COMMITTEE

Mr. Chu Chung Yue, Howard (*Chairman*)

(appointed on 30 June 2018)

Dr. Zhang Weining

(appointed on 30 June 2018)

Mr. Yu Wenzhuo

(appointed on 30 June 2018)

REMUNERATION COMMITTEE

Dr. Zhang Weining (*Chairman*)

(appointed on 30 June 2018)

Mr. Yao Yongjie

(appointed on 29 June 2018)

Ms. Lu Xuwen

(appointed on 8 October 2018)

Mr. Chu Chung Yue, Howard

(appointed on 30 June 2018)

Mr. Yu Wenzhuo

(appointed on 30 June 2018)

NOMINATION COMMITTEE

Mr. Yao Yongjie (*Chairman*)

(appointed on 29 June 2018)

Ms. Lu Xuwen

(appointed on 8 October 2018)

Mr. Chu Chung Yue, Howard

(appointed on 30 June 2018)

Dr. Zhang Weining

(appointed on 30 June 2018)

Mr. Yu Wenzhuo

(appointed on 30 June 2018)

COMPANY SECRETARY

Mr. Wong Ngai

AUTHORISED REPRESENTATIVES

Mr. Yao Yongjie

Mr. Wong Ngai

CORPORATE INFORMATION *(Continued)*

REGISTERED OFFICE

Cricket Square
Hutchins Drive P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3709, 37/F, Tower 2, Lippo Centre
89 Queensway, Admiralty, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

18 Kaki Bukit Place
Eunos Techpark
Singapore 416196

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Deloitte & Touche LLP
Public Accountants and Chartered
Accountants
6 Shenton Way, OUE Downtown 2
#33-00
Singapore 068809

PRINCIPAL BANKS

United Overseas Bank
Bank of China (Hong Kong)

COMPANY'S WEBSITE

www.grandshorestech.com

STOCK CODE

1647

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Note	Six months ended 30 September	
		2018	2017
		S\$ (Unaudited)	S\$ (Unaudited)
Revenue	4	22,509,910	25,212,890
Costs of services		(15,506,522)	(17,936,568)
Gross profit		7,003,388	7,276,322
Other income	5A	79,154	135,832
Other gains and losses	5B	1,222,468	(826,151)
Selling expenses		(49,830)	(64,936)
Administrative expenses		(4,812,276)	(4,195,414)
Finance costs	6	(56,851)	(46,522)
Profit before taxation		3,386,053	2,279,131
Income tax expense	7	(428,087)	(427,498)
Profit for the period	8	2,957,966	1,851,633
Other comprehensive income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(5,142)	—
Total comprehensive income for the period		2,952,824	1,851,633
Profit for the period attributable to:			
Owners of the Company		2,958,518	1,851,633
Non-controlling interests		(552)	—
		2,957,966	1,851,633
Total comprehensive income attributable to:			
Owners of the Company		2,953,386	1,851,633
Non-controlling interests		(562)	—
		2,952,824	1,851,633
Basic and diluted earnings per share (S\$ cents)	10	0.29	0.18

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

		30 September 2018	31 March 2018
	<i>Note</i>	S\$ (Unaudited)	S\$ (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	8,260,735	8,744,710
Equity Investment at FVTOCI		1,245,631	—
		9,506,366	8,744,710
Current assets			
Inventories	12	220,944	208,410
Trade receivables	13	8,493,086	9,741,492
Other receivables, deposits and prepayments	14	1,315,972	671,873
Contract assets	15	21,307	—
Amounts due from related companies	16	886,418	32,025
Pledged bank deposits	17	1,818,197	1,969,553
Bank balances and cash	17	39,936,245	39,412,934
		52,692,169	52,036,287
Current liabilities			
Trade and other payables	18	5,942,887	7,675,279
Contract liabilities	15	19,329	—
Amounts due to customers for construction work	15	—	433,420
Borrowings	19	238,332	3,098,336
Income tax payable		774,517	946,059
		6,975,065	12,153,094
Net current assets		45,717,104	39,883,193
Total assets less current liabilities		55,223,470	48,627,903

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**As at 30 September 2018*

		30 September 2018	31 March 2018
	<i>Note</i>	S\$ (Unaudited)	S\$ (Audited)
Non-current liabilities			
Borrowings	19	2,740,838	—
Deferred tax liabilities		143,200	143,200
		2,884,038	143,200
Net assets		52,339,432	48,484,703
EQUITY			
Capital and reserves			
Share capital	20	1,865,922	1,865,922
Reserves		49,591,148	46,618,781
Equity attributable to owners of the Company		51,457,070	48,484,703
Non-controlling interests		882,362	—
Total equity		52,339,432	48,484,703

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company						Non-controlling interests	Total	
	Share capital	Share premium	Share options reserve	Translation reserve	Merger reserve	Accumulated profits			Sub-total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	
		(Note A)			(Note B)				
At 1 April 2017	1,798,496	18,859,252	—	—	2,099,996	17,686,378	40,444,122	—	40,444,122
Total comprehensive income for the period	—	—	—	—	—	1,851,633	1,851,633	—	1,851,633
Transactions with owners, recognised directly in equity:									
Issue of shares under the over-allotment option	67,426	4,652,355	—	—	—	—	4,719,781	—	4,719,781
Share issue expenses	—	(141,957)	—	—	—	—	(141,957)	—	(141,957)
At 30 September 2017 (unaudited)	1,865,922	23,369,650	—	—	2,099,996	19,538,011	46,873,579	—	46,873,579
At 1 April 2018	1,865,922	23,369,650	—	—	2,099,996	21,149,135	48,484,703	—	48,484,703
Profit for the period	—	—	—	—	—	2,958,518	2,958,518	(552)	2,957,966
Exchange difference arising from translation of foreign operation	—	—	—	(5,132)	—	—	(5,132)	(10)	(5,142)
Total comprehensive income for the period	—	—	—	(5,132)	—	2,958,518	2,953,386	(562)	2,952,824
Recognition of equity-settled share-based payments	—	—	18,981	—	—	—	18,981	—	18,981
Capital contribution by non-controlling interests of a subsidiary	—	—	—	—	—	—	—	882,924	882,924
At 30 September 2018 (unaudited)	1,865,922	23,369,650	18,981	(5,132)	2,099,996	24,107,653	51,457,070	882,362	52,339,432

Note:

- (A) Share premium represents the excess of share issue over the par value.
- (B) Merger reserve represents the difference between the cost of the acquisition for the reorganisation and the value of share capital of the entities acquired.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended	
	30 September	
	2018	2017
	S\$	S\$
	(Unaudited)	(Unaudited)
Operating activities		
Profit before taxation	3,386,053	2,279,131
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	522,978	509,424
Loss on disposal of property, plant and equipment	26,164	14,416
Written off property, plant and equipment	—	4,301
Finance costs	56,851	46,522
Equity-settled share-based payments	18,981	—
Interest income	(52,227)	(33,867)
Unrealised foreign exchange (gain) loss	(1,248,632)	874,930
Operating cash flow before working capital changes	2,710,168	3,694,857
<i>Movements in working capital:</i>		
Decrease (increase) in trade receivables	1,248,406	(514,123)
Increase in other receivables, deposits and prepayments	(644,099)	(603,702)
Increase in contract asset/amounts due from customers for construction work	(21,307)	(83,530)
Decrease (increase) in amounts due from related companies	28,531	(80,437)
(Increase) decrease in inventories	(12,534)	11,644
Decrease in trade and other payables	(1,732,392)	(3,032,346)
Decrease in contract liabilities	(414,091)	—
Cash generated from (used in) operations	1,162,682	(607,637)
Income tax paid	(599,629)	(601,927)
Net cash from (used in) operating activities	563,053	(1,209,564)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)**For the six months ended 30 September 2018*

	Six months ended	
	30 September	
	2018	2017
	S\$	S\$
	(Unaudited)	(Unaudited)
Investing activities		
Investment in equity investment at FVTOCI	(1,245,631)	—
Purchase of property, plant and equipment	(74,347)	(539,021)
Proceeds from disposal of property, plant and equipment	9,350	85,327
Release (placement) of pledged bank deposits	151,356	(80,887)
Interest received	52,227	19,714
Payment to Controlling Shareholders in respect of vendor sale shares	—	(8,929,635)
Listing expenses paid on behalf of Controlling Shareholders	—	(62,395)
Net cash used in investing activities	(1,107,045)	(9,506,897)
Financing activities		
Repayment of borrowings	(119,166)	(119,166)
Interests paid	(56,851)	(46,522)
Proceeds from issue of shares	—	4,719,781
Listing expenses paid	—	(318,742)
Net cash (used in) from financing activities	(176,017)	4,235,351
Net decrease in cash and cash equivalents	(720,009)	(6,481,110)
Cash and cash equivalents at beginning of the period	39,412,934	43,418,665
Effect of foreign exchange rate changes	1,243,320	(874,930)
Cash and cash equivalents at end of the period, represented by bank balances and cash	39,936,245	36,062,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 18 May 2017 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 2017.

The Company is an investment holding company and the principal activities of its operating subsidiaries are providing integrated building service, undertaking building and construction works and engaging in blockchain technology development and application businesses.

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

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

The unaudited consolidated financial statements for the six months ended 30 September 2018 were approved by the Board of the Company on 30 November 2018.

2. BASIS OF PREPARATION AND GROUP REORGANISATION

In the previous financial year, for the purpose of the Listing of the Company’s shares on the Main Board of the Stock Exchange, the Group underwent a group reorganisation (“**Group Reorganisation**”).

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared to include the financial statements of the companies now comprising the Group as if the Group structure upon the completion of the reorganisation had been in existence throughout the period, or since their respective dates of incorporation or establishment where this is a shorter period.

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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

IFRS 9 "Financial instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained profits.

The adoption of IFRS 9 has impacted the following areas:

- for trade receivables, retention receivables and contract assets, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing cost; and
- at the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("FVTOCI").

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 and the related clarification to IFRS 15 (hereinafter referred to as “IFRS 15”) presents new requirements for the recognition of revenue, replacing IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and several revenue-related Interpretations. IFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

IFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 April 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 April 2018.

In summary, the following reclassification was made to the amounts recognised in the consolidated statement of financial position at the date of initial application (i.e. 1 April 2018):

	Carrying amount as at 31 March 2018 under IAS 18	Reclassification	Carrying amount as at 1 April 2018 under IFRS 15
	S\$	S\$	S\$
Current liabilities			
Amounts due to customers for			
construction work	433,420	(433,420)	—
Contract liabilities	—	433,420	433,420

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Contract liabilities are obligations to transfer goods or services to a customer for which the Group has received consideration, or for which an amount of consideration is due from the customer.

The adoption of IFRS 15 has no material impact on the Group's consolidated statement of profit or loss.

The Group has not applied the following new and amendments to IFRSs, International Accounting Standards ("IASs") and the new IFRIC relevant to the Group that have been issued but are not yet effective:

IFRS 16	Leases ¹
IFRIC 22	Foreign Currency Transactions and Advance Considerations ¹
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 40	Transfer of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after date to be determined

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**”), and (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**”).

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” and “Blockchain Technology Development and Application” and profit for the Review 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 is as follows:

	Six months ended 30 September	
	2018	2017
	S\$	S\$
	(Unaudited)	(Unaudited)
Revenue from:		
Integrated Building Services	20,662,990	20,209,487
Building Construction Works	1,846,920	5,003,403
Blockchain Technology Development and Application	—	—
	22,509,910	25,212,890

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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	
	2018	2017
	S\$	S\$
	(Unaudited)	(Unaudited)
Customer I	9,168,301	7,471,980
Customer II	2,461,585	N/A*
Customer III	N/A*	3,645,934
Customer IV	N/A*	2,668,093

* Revenue did not contribute over 10% of the total revenue of the Group.

Geographical Information

(a) Revenue from external customers

	Six months ended 30 September	
	2018	2017
	S\$	S\$
	(Unaudited)	(Unaudited)
Singapore	22,509,910	25,212,890
Hong Kong	—	—
	22,509,910	25,212,890

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical Information *(Continued)*

(b) *Non-current assets*

	30 September 2018	31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Singapore	9,496,865	8,744,710
Hong Kong	9,501	—
	9,506,366	8,744,710

5A. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	S\$ (Unaudited)	S\$ (Unaudited)
Interest income	52,227	33,867
Government grants	21,170	89,729
Others	5,757	12,236
	79,154	135,832

5B. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2018	2017
	S\$	S\$
	(Unaudited)	(Unaudited)
Loss arising on disposal of property, plant and equipment	(26,164)	(14,416)
Written off property, plant and equipment	—	(4,301)
Foreign exchange gain (loss), net (<i>Note</i>)	1,248,632	(807,434)
	1,222,468	(826,151)

Note: The net foreign exchange gain/(loss) is mainly arising from the translation of the listing proceeds, which were retained in Hong Kong dollars, to Singapore dollars.

6. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	S\$	S\$
	(Unaudited)	(Unaudited)
Interests on:		
Bank borrowings	56,851	46,522

7. INCOME TAX EXPENSE

Singapore corporate income tax has been provided at the rate of 17% (30 September 2017: 17%) on the estimated assessable profits arising in or derived from Singapore.

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profits in Hong Kong for the period.

	Six months ended 30 September	
	2018	2017
	S\$	S\$
	(Unaudited)	(Unaudited)
Tax expense comprises:		
Current income tax		
— Singapore corporate income tax	428,087	427,498
— Hong Kong profit tax	—	—
	428,087	427,498

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 September	
	2018	2017
	S\$	S\$
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	522,978	509,424
Staff costs (including directors' remuneration)		
— Salaries and other benefits	3,803,388	3,629,815
— Contributions to Singapore CPF & Hong Kong MPF	170,649	145,376
— Equity-settled share-based payment	18,981	—
Total staff costs	3,993,018	3,775,191
Cost of materials	4,048,225	4,775,269
Subcontractor costs	9,482,643	10,818,910

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2018 (Six months ended 30 September 2017: Nil). No dividend has been declared or paid by the Company since its date of incorporation.

The rates of dividend and the number of shares ranking for dividends are not presented as such information are not meaningful having regard to the purpose of these consolidated financial statements.

10. 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	
	2018	2017
Profit attributable to the owners of the Company (\$)	2,958,518	1,851,633
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	1,037,500,000	1,033,606,557
Effect of dilutive potential ordinary shares — Share options	13,691	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,037,513,691	1,033,606,557
Basic and diluted earnings per share (\$ cents)	0.29	0.18

11. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Leasehold property	Computer and office equipment	Motor vehicles	Furniture and fittings	Leasehold improvements	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Cost:							
At 1 April 2017	474,000	7,150,000	707,538	2,758,414	40,266	318,411	11,448,629
Additions	2,500	—	39,037	533,250	—	7,204	581,991
Disposals/write-offs	—	—	(24,824)	(307,788)	—	—	(332,612)
At 31 March 2018 (audited)	476,500	7,150,000	721,751	2,983,876	40,266	325,615	11,698,008
Exchange adjustments	—	—	149	—	32	—	181
Additions	—	—	8,206	64,407	1,734	—	74,347
Disposals/write-offs	—	—	—	(93,500)	—	—	(93,500)
At 30 September 2018 (unaudited)	476,500	7,150,000	730,106	2,954,783	42,032	325,615	11,679,036
Accumulated depreciation:							
At 1 April 2017	123,541	720,549	183,378	951,080	11,521	155,907	2,145,976
Charge for the year	95,300	166,279	132,452	579,349	4,027	64,883	1,042,290
Elimination on disposals/write-offs	—	—	(20,523)	(214,445)	—	—	(234,968)
At 31 March 2018 (audited)	218,841	886,828	295,307	1,315,984	15,548	220,790	2,953,298
Exchange adjustments	—	—	8	—	3	—	11
Charge for the period	47,650	83,140	63,854	293,617	2,156	32,561	522,978
Elimination on disposals/write-offs	—	—	—	(57,986)	—	—	(57,986)
At 30 September 2018 (unaudited)	266,491	969,968	359,169	1,551,615	17,707	253,351	3,418,301
Carrying amount:							
At 31 March 2018 (audited)	257,659	6,263,172	426,444	1,667,892	24,718	104,825	8,744,710
At 30 September 2018 (unaudited)	210,009	6,180,032	370,937	1,403,168	24,325	72,264	8,260,735

12. INVENTORIES

	30 September 2018	31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Low value consumables	220,944	208,410

13. TRADE RECEIVABLES

	30 September 2018	31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Trade receivables	6,346,937	8,219,300
Unbilled revenue (<i>Note a</i>)	2,094,670	1,470,713
Retention receivable (<i>Note b</i>)	51,479	51,479
	8,493,086	9,741,492

Note:

- a. Unbilled revenue represents (i) the accrued revenue from Integrated Building Services for work performed but yet to be billed; and (ii) the remaining balances of construction revenue to be billed for completed Building Construction Works contracts which are entitled for billing.
- b. Retention receivable represents retention monies withheld by customers of Building Construction Works, which are released after the completion of maintenance period of the relevant contracts, and are classified as current as they are expected to be received within the Group's normal operating cycle.

13. TRADE RECEIVABLES *(Continued)*

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 2018	31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Within 90 days	5,532,148	7,417,079
91 days to 180 days	428,354	277,790
181 days to 365 days	122,955	434,105
Over 1 year but not more than 2 years	192,116	20,996
More than 2 years	71,364	69,330
	6,346,937	8,219,300

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2018	31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Deposits	1,134,819	175,219
Prepayments	152,565	468,154
Advances to staff	28,588	28,500
	1,315,972	671,873

15. CONTRACT ASSETS/CONTRACT LIABILITIES

	30 September 2018	31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Contract costs incurred plus recognised profits less recognised losses	12,282,423	10,000,106
Less: progress billings	(12,280,445)	(10,433,526)
	1,978	(433,420)
Analysed for reporting purposes as:		
Contract assets	21,307	—
Contract liabilities	(19,329)	—
Amounts due to customers for construction work	—	(433,420)
	1,978	(433,420)

The amount due to customers for construction work were reclassified to contract liabilities on 1 April 2018 since the adoption of IFRS 15. See note 3 for further details.

16. AMOUNTS DUE FROM RELATED PARTIES

	30 September 2018	31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Trade related	3,494	32,025
Non-trade related	882,924	—
	886,418	32,025

16. AMOUNTS DUE FROM RELATED PARTIES (Continued)

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

	30 September 2018	31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Within 90 days	3,430	32,025
91 days to 180 days	64	—
	3,494	32,025

Non-trade related amount due from related company is an amount due from non-controlling interests and is unsecured, interest-free and has no fixed terms for repayment.

17. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	30 September 2018	31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Pledged bank deposits	1,818,197	1,969,553
Bank balances and cash	39,936,245	39,412,934

Pledged bank deposits represent deposits placed to banks for corresponding amounts of performance guarantees granted to the Group in favour of customers. The balances carry interest of 0.25% per annum at 30 September 2018 and 31 March 2018.

As at 30 September 2018, the Group did not place any time deposit (31 March 2018: S\$15,248,951 at rate of 1.18% per annum), and certain balances amounting to S\$16,979,303 (31 March 2018: S\$8,082,551) which carry interest at prevailing market rate of 0.1% per annum (31 March 2018: 0.1%) at 30 September 2018, the remaining balances do not carry interest.

18. TRADE AND OTHER PAYABLES

	30 September 2018	31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Trade payables	4,771,411	5,640,938
Trade accruals	78,906	519,870
	4,850,317	6,160,808
Accrued operating expenses	576,403	682,434
Other payables		
GST payable	459,854	730,645
Others	56,313	101,392
	5,942,887	7,675,279

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

	30 September 2018	31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Within 90 days	3,136,435	4,929,830
91 days to 180 days	649,469	371,207
181 days to 365 days	813,604	216,578
Over 1 year but not more than 2 years	113,141	67,903
Over 2 years	58,762	55,420
	4,771,411	5,640,938

The credit period on purchases from suppliers and subcontractors is between 14 to 90 days or payable upon delivery.

19. BORROWINGS

	30 September 2018	31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Bank loan — secured	2,979,170	3,098,336
Analysed as:		
Amount due within one year shown under current liabilities	238,322	3,098,336
Amounts shown under non-current liabilities	2,740,838	—
	2,979,170	3,098,336

20. SHARE CAPITAL

The Company was successfully listed on the Main Board of the Stock Exchange on 30 March 2017 by way of placing of 125,000,000 ordinary shares (including 75,000,000 sale shares and 50,000,000 new shares) and public offer of 125,000,000 new shares at the price of HK\$0.70 per share (“Share Offer”).

	Number of shares	Par value HK\$	Share capital HK\$
Authorised share capital:			
At 31 March 2017 (audited), 31 March 2018 (audited) and 30 September 2018 (unaudited)	5,000,000,000	0.01	50,000,000

20. SHARE CAPITAL (Continued)

	Number of shares	Share capital
		S\$
Issued and fully paid:		
At 31 March 2017 (audited)	1,000,000,000	1,798,496
Issue of shares under the over-allotment option (Note a)	37,500,000	67,426
		<hr/>
At 31 March 2018 (audited) and 30 September 2018 (unaudited)	1,037,500,000	1,865,922

Note:

- a. On 20 April 2017, China Prospect Securities Limited, the sole lead manager, fully exercised the Over-allotment Option (as defined in the Prospectus) in respect of 37,500,000 additional shares ("**Over-allotment Shares**"), representing approximately 15% of the total number of offer shares initially available under the Share Offer before any exercise of the Over-allotment Option, at the offer price of HK\$0.70 per share to facilitate the return of the 37,500,000 shares borrowed by China Prospect Securities Limited, the stabilising manager, from Ruiheng Global Investments Limited under the stock borrowing agreement, which were used to cover the over-allocations in the placing.

21. OPERATING LEASE COMMITMENTS

The Group as lessee	Six months ended 30 September	
	2018	2017
	S\$	S\$
	(Unaudited)	(Unaudited)
Minimum lease payments paid during the period under operating lease in respect of office premises and staff dormitories	256,821	197,753

21. OPERATING LEASE COMMITMENTS *(Continued)*

Future minimum rental payable under non-cancellable leases as at the end of reporting period are as follows:

	As at 30 September 2018	As at 31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Within 1 year	714,454	118,876
After 1 year but within 5 years	492,402	26,784
	1,206,856	145,660

The leases have tenures ranging from eighteen months to two years (31 March 2018: two months to two years) and no contingent rent provision included in the contracts. There is no restriction placed upon the Group by entering into these leases.

22. RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these consolidated financial statements. Related companies refer to entities in which a director of the Group and his spouse have beneficial interest in.

Apart from disclosure elsewhere in the consolidated financial statements, the Group entered into the following transactions with related companies:

	Six months ended 30 September 2018	2017
	S\$ (Unaudited)	S\$ (Unaudited)
Sales of services to related companies	77,046	129,875

22. RELATED PARTY TRANSACTIONS *(Continued)***Guaranteed from Director of a Subsidiary/Controlling Shareholders**

The amount remained outstanding in respect of performance guarantees and security bonds for foreign workers in favour of the Group during the period:

	30 September 2018	31 March 2018
	S\$ (Unaudited)	S\$ (Audited)
Director of a subsidiary	795,076	—
Controlling shareholder	—	844,552
	795,076	844,552

Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the period were as follows:

	Six months ended 30 September 2018	2017
	S\$ (Unaudited)	S\$ (Unaudited)
Short term benefits	520,745	526,280
Post-employment benefits	27,720	32,879
Total compensation	548,465	559,159

23. APPROVAL OF THE INTERIM REPORT

The unaudited consolidated interim financial statements for the six months ended 30 September 2018 were approved and authorised for issue by the board of Directors on 30 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group's revenue for the six months ended 30 September 2018 was approximately S\$22.5 million (30 September 2017: approximately S\$25.2 million). The Group's gross profit decreased from approximately S\$7.3 million for the six months ended 30 September 2017 to approximately S\$7.0 million for the six months ended 30 September 2018, while the Group's gross profit margin increased from 28.9% for the six months ended 30 September 2017 to 31.1% for the six months ended 30 September 2018.

Although the Group's revenue dropped compare with the previous period, the Group is still positive about the prospects of the integrated building services industry and construction market in Singapore. On 11 January 2018, the Building and Construction Authority of Singapore ("**BCA**") estimated that between S\$16 billion and S\$19 billion worth of public projects in Singapore would be awarded in 2018, more than S\$15.5 billion in 2017. BCA also projected that the total construction demand in 2018 is likely to increase from S\$24.5 billion in 2017 to between S\$26 billion and S\$31 billion. As such, our Directors are still confidence on the outlook of existing integrated building services business.

SIGNIFICANT EVENT

In April 2018, Morgan Hill Holdings Limited ("**Morgan Hill**") and Trinity Gate Limited ("**Trinity Gate**") agreed to acquire 750,000,000 shares of the Company from the then shareholders of the Company for the total consideration of approximately HK\$652.5 million. The share acquisition was completed in May 2018 and Morgan Hill has become the controlling shareholder of the Company. Mr. Yao Yongjie, the chairman and an executive director of the Company, indirectly owned 51% equity interest in Morgan Hill. As at 30 September 2018 and up to the date of this report, Morgan Hill and Trinity Gate controlled approximately 60.05% and approximately 12.24% of the total issued shares of the Company respectively.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FUTURE PROSPECTS

The Group intends to continue the existing principal businesses that provides integrated building services and undertakes building construction works in Singapore. At the same time, the Group intends to leverage on Mr. Yao's experience and knowledge in blockchain and financial technology industries to expand into new business areas which can enhance shareholder value as well as complement and leverage existing business lines.

In the future the Group will devote more resources in developing new business lines including operation, maintenance and management of data centres and other high performance data processing facilities and equipment in relation to blockchain technologies, digital assets trading platform operation and blockchain strategic advisory services provision.

FINANCIAL REVIEW

REVENUE

For the six months ended 30 September 2018, the Group recorded an unaudited revenue of approximately S\$22.5 million (30 September 2017: approximately S\$25.2 million), a decrease of approximately S\$2.7 million or 10.7%. Such decrease was mainly due to the decreased contribution from the building construction works, which dropped from approximately S\$5.0 million for the six months ended 30 September 2017 to approximately S\$1.8 million for the six months ended 30 September 2018, a decrease of S\$3.2 million. The decrease in revenue from the building and construction works was mainly due to decrease in works performed for a building and construction project, amounting to approximately S\$0.4 million for the six months ended 30 September 2018 (30 September 2017: approximately S\$3.4 million). The aforesaid project has reached the substantial completion stage for the six months ended 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

REVENUE *(Continued)*

Revenue attributable to the integrated building services increased approximately S\$0.5 million or 2.2%, from S\$20.2 million for the six months ended 30 September 2017 to S\$20.7 million for the six months ended 30 September 2018, mainly due to increase in the amount of the integrated building services works performed by the Group during the six months ended 30 September 2018 as compared to the same period in 2017.

No revenue has been generated from the blockchain technology development and application business given this new business segment is still in the upfront investment and preparatory stage.

COSTS OF SERVICES

The Group's cost of services decreased from approximately S\$17.9 million for the six months ended 30 September 2017 to approximately S\$15.5 million for the six months ended 30 September 2018, representing a decrease of approximately S\$2.4 million or 13.4%, which was higher than the decrease in the Group's revenue of approximately 10.7%. This has resulted in the Group's higher gross profit margin. Such increase was mainly attributable to the decrease in the use of subcontractor along with the decrease in revenue derived from building and construction works during the six months ended 30 September 2018. The subcontractor costs was approximately S\$9.5 million for the six months ended 30 September 2018 (30 September 2017: approximately S\$10.8 million), representing a decrease of approximately 12.4%.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit dropped slightly from approximately S\$7.3 million for the six months ended 30 September 2017 to approximately S\$7.0 million for the six months ended 30 September 2018, a decrease of approximately S\$0.3 million or 3.8%. Such decrease was mainly due to the decrease in revenue from the building and construction works discussed above. However, the Group's gross profit margin increased from 28.9% for the six months ended 30 September 2017 to 31.1% for the six months ended 30 September 2018. Such increase was mainly due to the higher than proportionate decrease in costs of services for building and construction works discussed above as compared with the decrease in revenue. Gross profit margin for integrated building services is relatively higher than the gross profit margin for building and construction works, resulted in the Group's higher gross profit margin.

OTHER GAINS AND LOSSES

The Group's other gains and losses changed significantly from losses of approximately S\$826,000 for the six months ended 30 September 2017 to gain of approximately S\$1.2 million for the six months ended 30 September 2018. Such change was due to the recognition of unrealized foreign exchange gain of approximately S\$1.2 million (30 September 2017: loss of approximately S\$875,000) for the cash and cash equivalent, mainly arising from the net proceeds for the Share Offer, denominated in Hong Kong dollars as Hong Kong dollars has appreciated against Singapore dollars during the six months ended 30 September 2018.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased from approximately S\$4.2 million for the six months ended 30 September 2017 to approximately S\$4.8 million for the six months ended 30 September 2018, an increase of approximately S\$0.6 million or 14.7%. Such increase was mainly due to the increased legal and professional fee, as well as the administrative expenses incurred in setting up the Hong Kong office in order to facilitate the development of the new business opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

FINANCE COSTS

The Group's finance costs increased from approximately S\$47,000 for the six months ended 30 September 2017 to S\$57,000 for the six months ended 30 September 2018. Such increase was mainly due to the increase in interest rate of the mortgage loan over time in accordance with the interest rate schedule.

INCOME TAX EXPENSE

The Group's income tax expense remained steady at approximately S\$428,000 for the six months ended 30 September 2018 and 30 September 2017. Although the profit before taxation was higher for the six months ended 30 September 2018, the increase in profit was mainly due to the non-taxable unrealized foreign exchange gain, therefore the income tax expense did not increase in line with the increase in profit.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Even though the revenue and gross profit dropped compare with the previous period, the Group's profit attributable to owners of the Company increased from approximately S\$1.9 million for the six months ended 30 September 2017 to approximately S\$3.0 million for the six months ended 30 September 2018, an increase of approximately S\$1.1 million or 59.5%, which is mainly due to the exchange gain of Hong Kong dollars bank balance as a result of the appreciation of Hong Kong dollars against Singapore dollars.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2018 (30 September 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy financial position during the six months ended 30 September 2018. As at 30 September 2018, the Group had total bank balances and cash of approximately S\$39.9 million (31 March 2018: approximately S\$39.4 million). The total interest-bearing loans of the Group as at 30 September 2018 was approximately S\$3.0 million (31 March 2018: approximately S\$3.1 million), and current ratio of the Group as at 30 September 2018 was approximately 7.6 times (31 March 2018: approximately 4.3 times). As at 30 September 2018, the gearing ratio (calculated based on borrowing divided by equity attributable to owners of the Company) of the Group was 0.1 times (31 March 2018: 0.1 times).

For further details regarding the borrowings of the Group, please refer to note 19 of the notes to the consolidated financial statements.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy financial position throughout the period. The Board closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

PLEDGE OF ASSETS

As at 30 September 2018, the Group had approximately S\$1.8 million (31 March 2018: approximately S\$2.0 million) of pledged bank deposits for corresponding amounts of performance guarantees issued in favour of customers. The Group's owned property which is situated at 18 Kaki Bukit Place, Eunos Techpark, Singapore 416196 was pledged for mortgage loan as at 30 September 2018 and 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

The functional currency of the Group's major operating subsidiaries is Singapore dollars. However, the Group retains some proceeds from the Listing in Hong Kong dollars amounting to approximately S\$20.7 million (31 March 2018: approximately S\$22.3 million) that are exposed to foreign exchange rate risks. The Group recorded an unrealized foreign exchange gain of approximately S\$1.2 million for the six months ended 30 September 2018 (30 September 2017: loss of approximately S\$875,000).

CAPITAL STRUCTURE

There was no change in the capital structure of the Company for the six months ended 30 September 2018 and up to the date of this report.

As at 30 September 2018, the share capital and equity attributable to the owners of the Company amounted to approximately S\$1.9 million and S\$51.5 million respectively (31 March 2018: approximately S\$1.9 million and S\$48.5 million respectively).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2018 and 31 March 2018, the Group had no material capital commitments or contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES AND JOINT VENTURES

On 8 August 2018, Grand Shores Blockchain Group Limited ("**GS Blockchain**"), a wholly-owned subsidiary of the Company has entered into a co-operation agreement with Hong Kong Wenwei Cultural Property Trading and Exchange Limited ("**HK Wenwei**") in relation to the formation of a joint venture company, Hong Kong Grandshores Digital Economy Development Limited. This joint venture company is intended to be principally engaged in digital asset trading and exchange services.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES AND JOINT VENTURES *(Continued)*

Pursuant to the co-operation agreement, GS Blockchain will contribute HK\$15,000,000 (equivalent to approximately S\$2.6 million) and HK Wenwei will contribute HK\$5,000,000 (equivalent to approximately S\$883,000) to subscribe for 75% and 25% of the equity interest in the of joint venture company respectively.

Please refer to the Company's announcement dated 8 August 2018 for further details of the formation of the above joint venture in Hong Kong.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investments during the six months ended 30 September 2018.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group employed a total of 332 employees (including executive Directors), as compared to 328 full-time employees as at 31 March 2018. The Group's employees are remunerated according to their job scope, responsibilities, and performance. Local employees are also entitled to discretionary bonus depending on their respective performances and the profitability of the Group. The Group's foreign workers are typically employed on two-year basis depending on the period of their work permits and subject to renewal based on their performance, and are remunerated according to their work skills. Other staff benefits include the provision of retirement benefits, medical benefits and sponsorship of training courses.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 30 September 2018, except for the acquisition of the property, plant and equipment disclosed in note 11 to the consolidated financial statements, the Group does not have any other plans for material investments or capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***USE OF PROCEEDS FROM THE GLOBAL OFFERING**

The net proceeds from the Listing (including the proceeds from the exercise of the Over-allotment Option), after deducting listing related expenses, were approximately S\$21.6 million (equivalent to approximately HK\$124.1 million), out of which approximately S\$4.8 million has been utilized as at 30 September 2018.

Business objectives	Net proceeds	Amount utilised as at 30 September 2018	Balance as at 30 September 2018
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Various investments in manpower and plant and equipment for expanding the scale of operation and undertake more integrated services projects in Singapore	12,475	1,266	11,209
Various investments in manpower and plant and equipment for expanding the in-house capabilities and reducing the use of subcontractors in relation to plumbing and sanitary works, electrical works and air-conditioning works	6,971	1,355	5,616
Working capital	2,137	2,137	—
	21,583	4,758	16,825

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 30 September 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at 30 September 2018, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have taken under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) in the Listing Rules, notified to the Company and the Stock Exchange, were as follows:

I. LONG POSITION IN THE SHARES

<u>Name of Director</u>	<u>Capacity/Nature</u>	<u>Number of Shares held/interested</u>	<u>Approximate percentage of shareholding</u>
Mr. Yao Yongjie (“Mr. Yao”)	Interest of controlled corporation	623,035,000 (Note 1)	60.05%
Mr. Teng Rongsong (“Mr. Teng”)	Interest of controlled corporation	127,000,000 (Note 2)	12.24%

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATION *(Continued)*

I. LONG POSITION IN THE SHARES *(Continued)*

Notes:

- (1) These shares are held by Morgan Hill Holdings Limited (“**Morgan Hill**”). The issued share capital of Morgan Hill is legally and beneficially owned as to 51% by Great Scenery Ventures Limited, which, in turn, is wholly-owned by Mr. Yao. Mr. Yao is deemed to be interested in the Shares in which Morgan Hill is interested in under Part XV of the SFO.
- (2) These shares are held by Trinity Gate Limited (“**Trinity Gate**”). The entire issued share capital of Trinity Gate is legally and beneficially owned by Timeness Vision Limited, which, in turn, is wholly-owned by Mr. Teng. Mr. Teng is deemed to be interested in the Shares in which Trinity Gate is interested in under Part XV of the SFO. On 8 October 2018, Mr. Teng resigned as a non-executive Director of the Company.

II. LONG POSITION IN THE UNDERLYING SHARES OF SHARE OPTIONS

The company’s share option scheme was adopted on 5 January 2017.

On 23 August 2018, the Company granted 1,000,000 share options (the “**Share Option**”) to Ms. Lu Xuwen to subscribe for 1,000,000 ordinary shares of HK\$0.01 each of the Company pursuant to the share option scheme adopted by the Company on 5 January 2017. On 8 October 2018, Ms. Lu was appointed as a non-executive Director of the Company.

For further details of the Share Option please refer to the paragraph with the heading “Share Option Scheme” below.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)***INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATION** *(Continued)***III. LONG POSITION IN THE SHARES OF ASSOCIATED CORPORATION**

Name of Director	Capacity/Nature of interest	Number of Shares held in associated corporation	Percentage of interest in associated corporation	Number of Shares held by associated corporation	Approximate percentage of interest in the Company
Mr. Yao	Beneficial owner	5,100	51%	623,035,000 <i>(Note 1)</i>	60.05%

Notes:

- (1) The issued share capital of Morgan Hill is legally and beneficially owned as to 51% by Great Scenery Ventures Limited, which, in turn, is wholly-owned by Mr. Yao. Mr. Yao is deemed to be interested in the Shares in which Morgan Hill is interested in under Part XV of the SFO.

Save as disclosed above, as at 30 September 2018, none of the Directors 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) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)***INTERESTS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES**

As at 30 September 2018, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO, are as follows:

Name	Capacity/Nature	Number of Shares held/ interested in	Percentage of interest
Morgan Hill	Beneficial owner	623,035,000 <i>(Notes 1 & 2)</i>	60.05%
Great Scenery Ventures Limited <i>("Great Scenery")</i>	Interest of controlled corporation	623,035,000 <i>(Note 1)</i>	60.05%
Emperor Grand International Limited <i>("Emperor Grand")</i>	Interest of controlled corporation	623,035,000 <i>(Notes 2)</i>	60.05%
Mr. Zhu Guangping <i>("Mr. Zhu")</i>	Interest of controlled corporation	623,035,000 <i>(Notes 2)</i>	60.05%
Trinity Gate Limited <i>("Trinity Gate")</i>	Beneficial owner	127,000,000 <i>(Note 3)</i>	12.24%
Timeness Vision Limited <i>("Timeness Vision")</i>	Interest of controlled corporation	127,000,000 <i>(Note 3)</i>	12.24%

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)***INTERESTS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES** *(Continued)**Notes:*

- (1) The issued share capital of Morgan Hill is legally and beneficially owned as to 51% by Great Scenery, which, in turn is wholly owned by Mr. Yao. Mr. Yao is deemed to be interested in the Shares in which Great Scenery is interested in under Part XV of the SFO.
- (2) The issued share capital of Morgan Hill is legally and beneficially owned as to 49% by Emperor Grand, which, in turn is wholly owned by Mr. Zhu. Mr. Zhu is deemed to be interested in the Shares in which Emperor Grand is interested in under Part XV of the SFO.
- (3) The entire issued share capital of Trinity Gate is legally and beneficially owned by Timeness Vision, which, in turn, is wholly owned by Mr. Teng. Mr. Teng is deemed to be interested in the Shares in which Trinity Gate is interested in under Part XV of the SFO.

Save as disclosed above, as at 30 September 2018, no other persons had any 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 the SFO, or as otherwise notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 5 January 2017 (the “**Adoption Date**”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

(A) PURPOSE OF THE SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest (“**Invested Entity**”).

(B) PARTICIPANTS OF THE SHARE OPTION SCHEME

The participants of the Share Option Scheme shall be:

- (1) any employee (whether full-time or part-time) of the Company, any of the subsidiaries and any Invested Entity;
- (2) any director (including executive, non-executive and independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (3) any supplier of goods or services to any member of the Group or any Invested Entity;
- (4) any customer of the Group or any Invested Entity;
- (5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (6) or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity eligible for options under the Share Option Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)***SHARE OPTION SCHEME** *(Continued)***(C) TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUE UNDER THE SHARE OPTION SCHEME**

Under the Share Option Scheme, the total number of Shares which may be allotted and issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time.

As at the date of this interim report, a total of 96,000,000 shares, representing approximately 9.25% of the issued share capital of the Company are available for issue under the Share Option Scheme.

(D) MAXIMUM ENTITLEMENT OF EACH PARTICIPANT UNDER THE SHARE OPTION SCHEME

The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue.

(E) THE PERIOD WITHIN WHICH THE SHARES MUST BE TAKEN UP UNDER AN OPTION

The period during which an option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant.

(F) THE MINIMUM PERIOD FOR WHICH AN OPTION MUST BE HELD BEFORE IT CAN BE EXERCISED

As determined by the Board upon the grant of an option.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEME *(Continued)*

(G) THE AMOUNT PAYABLE ON ACCEPTANCE OF AN OPTION AND THE PERIOD WITHIN WHICH PAYMENTS SHALL BE MADE

A consideration of S\$1 is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company, being a date not later than 21 business days from the date upon which it is made.

(H) THE BASIS OF DETERMINING THE EXERCISE PRICE

The exercise price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an eligible person, and shall be at least the higher of: (1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, (2) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of grant, and (3) the nominal value of a share on the date of grant.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)***SHARE OPTION SCHEME** *(Continued)***(I) THE REMAINING LIFE OF THE SHARE OPTION SCHEME**

The Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date until 4 January 2027.

The following table discloses movements in the Company's share options under the Share Option Scheme during the six months ended 30 September 2018:

Participants	Date of Grant	Outstanding at beginning of period	Granted during the period	Exercised during the period	Outstanding at end of the period	Exercise price	Exercise period
						HK\$	
Eligible employees and other eligible participants	23 August 2018	—	4,000,000	—	4,000,000	1.20	For 2,000,000 options: 23 August 2019 to 22 August 2022
							For remaining 2,000,000 options: 23 August 2020 to 22 August 2022

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

CHANGE OF DIRECTORS' INFORMATION

As at 30 May 2018, Mr. Yao Yongjie and Mr. Teng Rongsong were appointed as an executive Director and a non-executive Director respectively. Details of the changes of Directors are set out in the announcement of the Company dated 30 May 2018.

As at 30 June 2018, Mr. Lim Kai Hwee resigned as an executive Director and Ms. Ng Peck Hoon, Mr. Toh Soo Bock, Bob and Mr. Sim Choon Hong resigned as independent non-executive Directors. On the same day, Mr. Chua Seng Hai resigned as the chairman of the Company (the "**Chairman**") and re-designated as a non-executive Director. Mr. Yao Yongjie was appointed as the Chairman of the Company. Details of the changes of Directors are set out in the announcement of the Company dated 30 June 2018.

As at 30 June 2018, Mr. Chu Chung Yue, Howard, Dr. Zhang Weining and Mr. Yu Wenzhou were appointed as independent non-executive directors. Details of the change of Directors are set out in the announcement of the Company dated 30 June 2018.

As at 8 October 2018, Mr. Teng Rongsong resigned as a non-executive Director and Ms. Lu Xuwen was appointed as a non-executive Director at the same time. Details of the change of Directors are set out in the announcement of the Company dated 8 October 2018.

COMPETING INTEREST

During the six months ended 30 September 2018, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining good corporate governance to safeguard the interest of shareholders and to achieve effective accountability. The Company has adopted the corporate governance code (the "**CG code**") contained in Appendix 14 of the Listing Rules. To the best of the knowledge of the Board, the Company has complied with the CG code for the six months ended 30 September 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)***COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the required Model Code's standard for the six months ended 30 September 2018.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

For the six months ended 30 September 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

AUDIT COMMITTEE

The Audit Committee consists of three members who are all independent non-executive Directors, namely, Mr. Chu Chung Yue, Howard, Dr. Zhang Weining and Mr. Yu Wenzhua. Mr. Chu Chung Yue, Howard is the Chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with CG code. The unaudited consolidated financial statements of the Group for the six months ended 30 September 2018 has not been audited by the auditor of the Company, but has been reviewed by the Audit Committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its shares as required under the Listing Rules throughout the six months ended 30 September 2018.

On behalf of the Board

Yao Yongjie

Chairman

30 November 2018