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KINGBO STRIKE LIMITED

工蓋有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1421)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

The board (the “Board”) of directors (the “Directors”) of Kingbo Strike Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2015 together with comparative figures for the six months ended 31 December 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Six months ended 31 December | |
|--|-------|---------------------------------|--------------------------|
| | Notes | 2015 S\$ Unaudited | 2014 S\$ Unaudited |
| REVENUE | 6 | 10,503,369 | 5,126,459 |
| Cost of sales | | <u>(8,368,746)</u> | <u>(3,471,999)</u> |
| Gross profit | | 2,134,623 | 1,654,460 |
| Other operating income | 6 | 790,930 | 442,215 |
| Administrative expenses | | (765,851) | (621,737) |
| Other operating expenses | | (127,155) | (161,204) |
| Finance costs | | (3,295) | (183) |
| Share of results of joint ventures | | 1,199,338 | 644,707 |
| Share of results of an associate | | (12,184) | 112,175 |
| PROFIT BEFORE TAX | 7 | 3,216,406 | 2,070,433 |
| Income tax expense | 8 | (186,626) | (140,538) |
| PROFIT FOR THE PERIOD AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD | | <u>3,029,780</u> | <u>1,929,895</u> |
| Earnings per share attributable to equity holders of the Company | | | |
| Basic and diluted earnings per share (<i>S cents</i>) | 9 | <u>0.47</u> | <u>0.30</u> |

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 31 December 2015 | 30 June 2015 |
|---|--------------|---------------------|-------------------|
| | <i>Notes</i> | S\$ Unaudited | S\$ Audited |
| NON-CURRENT ASSETS | | | |
| Interests in joint ventures | 11 | 3,917,314 | 2,867,976 |
| Interests in an associate | 12 | 529,474 | 541,658 |
| Plant and equipment | 13 | 445,001 | 390,512 |
| Trade and other receivables | 14 | 2,458,056 | 1,622,357 |
| | | 7,349,845 | 5,422,503 |
| CURRENT ASSETS | | | |
| Gross amount due from customers for contract work in progress | 15 | 4,485,030 | 2,463,996 |
| Inventories | 16 | 31,420 | 46,630 |
| Prepayments | | 36,641 | 26,826 |
| Trade and other receivables | 14 | 1,819,469 | 1,746,016 |
| Cash and cash equivalents | 17 | 18,255,278 | 17,628,754 |
| | | 24,627,838 | 21,912,222 |
| CURRENT LIABILITIES | | | |
| Income tax payable | | 341,170 | 364,918 |
| Trade and other payables | 18 | 5,469,358 | 3,856,802 |
| | | 5,810,528 | 4,221,720 |
| NET CURRENT ASSETS | | 18,817,310 | 17,690,502 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 26,167,155 | 23,113,005 |
| NON-CURRENT LIABILITY | | | |
| Deferred tax liabilities | | 49,613 | 25,243 |
| Net assets | | 26,117,542 | 23,087,762 |
| EQUITY | | | |
| Share capital | 19 | 1,048,880 | 1,048,880 |
| Share premium | 19 | 12,366,974 | 12,366,974 |
| Retained earnings | | 14,941,335 | 11,911,555 |
| Merger reserves | | (2,239,647) | (2,239,647) |
| Total equity | | 26,117,542 | 23,087,762 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 19 June 2013 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The Company's registered office address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under the Companies Ordinance of Hong Kong on 5 September 2013 and the principal place of business in Hong Kong registered is at 19/F, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the provision of electrical engineering services in Singapore.

Particulars of the Company's subsidiaries are as follows:

| Subsidiary | Place of incorporation and business | Issued ordinary/registered share capital | Percentage of equity attributable to the Company as at | | | | Principal activities |
|--|-------------------------------------|--|--|----------|--------------|----------|--|
| | | | 31 December 2015 | | 30 June 2015 | | |
| | | | Direct | Indirect | Direct | Indirect | |
| Strike Electrical Engineering Pte. Ltd. ("Strike Singapore") | Singapore | S\$1,510,000 | 100 | - | 100 | - | Electrical works and general building engineering services |
| Triple Treasure Global Limited | British Virgin Islands | US\$1 | 100 | - | 100 | - | Investment holding |
| Capital Asia Investment Limited | Hong Kong | HK\$1 | - | 100 | - | 100 | Investment holding |

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 31 December 2015 (the "Interim Period") have been prepared in accordance with International Financial Reporting Standards ("IFRSs", which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

They have been prepared under the historical cost convention. These financial statements are presented in Singapore dollars ("S\$").

Basis of consolidation

The unaudited condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the Interim Period. These interim financial statements of the subsidiaries used in the preparation of the unaudited condensed consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses resulting from intra-group transactions are eliminated in full.

The Group's investments in an associate and joint ventures are stated in the unaudited condensed consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES

The Group has not applied the following IFRSs that have been issued but are not yet effective in the interim financial information:

| | Effective date (annual periods beginning on or after) |
|---|--|
| Amendments to IAS 1 Disclosure Initiative | 1 January 2016 |
| Amendments to IFRS 10, IFRS 12 and IAS 28 (2011) Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| Amendments to IFRS 10 and IAS 28 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| Amendments to IFRS 11: Accounting for Acquisition of Interests in Joint Operations | 1 January 2016 |
| Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants | 1 January 2016 |
| Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to IAS 27 (2011): Equity Method in Separate Financial Statements | 1 January 2016 |
| Annual improvements to IFRS 2012–2014 cycle | 1 January 2016 |
| IFRS 14 Regulatory Deferral Accounts (<i>note</i>) | 1 January 2016 |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 9 Financial Instruments | 1 January 2018 |

Note: Effective for an entity that first adopts IFRS for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

The Group's interim financial statements have not been audited by the Company's external auditors, but have been reviewed by the audit committee of the Company.

4. ESTIMATES

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

5. SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the provision of electrical engineering services. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

During the reporting period, the Group's revenue from external customers was derived solely from its operations in Singapore and the non-current assets of the Group were located in Singapore.

6. REVENUE AND OTHER OPERATING INCOME

The Group's revenue represents an appropriate proportion of contract revenue of construction contracts; the net invoiced value of goods sold, after allowances for returns and trade discount during the respective reporting period. Revenue and other operating income recognised during the respective reporting period are as follows:

| | Six months ended 31 December | |
|--|---------------------------------|--------------------------|
| | 2015 S\$ Unaudited | 2014 S\$ Unaudited |
| Revenue | | |
| Contract revenue | 10,503,369 | 5,126,459 |
| Other operating income | | |
| Foreign exchange differences (<i>note 1</i>) | 770,701 | 418,219 |
| Bank interest income | 1,533 | 16,668 |
| Incentives from the Singapore Government (<i>note 2</i>) | 14,481 | 5,528 |
| Gain on disposal of plant and equipment | 2,415 | — |
| Others | 1,800 | 1,800 |
| | 790,930 | 442,215 |

Notes:

- (1) Foreign exchange differences refer to the unrealised exchange gain arising from the strengthening of bank balances denominated in Hong Kong dollar ("HK\$") against S\$ at the closing of the Interim Period.
- (2) Incentives from the Singapore Government comprise Special Employment Credit and Temporary Employment Credit. There are no unfulfilled conditions or contingencies relating to these incentives.

7. PROFIT BEFORE TAX

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

| | Six months ended 31 December | |
|--|---------------------------------|--------------------------|
| | 2015 S\$ Unaudited | 2014 S\$ Unaudited |
| (a) Auditors' remuneration | 78,560 | 99,241 |
| Depreciation of plant and equipment | 46,793 | 43,159 |
| (Gain) loss on disposal of plant and equipment | (2,415) | 10,036 |
| Loss on plant and equipment written-off | 792 | — |
| Cost of services provided | 8,368,746 | 3,471,999 |
| Minimum lease payments under operating leases | 160,157 | 57,000 |
| Employee benefits (<i>note b</i>) | 1,979,174 | 1,378,269 |
| (b) Employee benefits (including Directors' remuneration): | | |
| — Directors' fees | 80,760 | 32,500 |
| — Salaries, wages and bonuses | 1,810,868 | 1,273,314 |
| — Defined contribution retirement plans | 87,546 | 72,455 |
| | 1,979,174 | 1,378,269 |

8. INCOME TAX EXPENSE

| | Six months ended 31 December | |
|--|---------------------------------|--------------------------|
| | 2015 S\$ Unaudited | 2014 S\$ Unaudited |
| Current — elsewhere: | | |
| — Charge for the period | 159,416 | 140,538 |
| — Under-provision in respect of prior period | 2,840 | — |
| Deferred | 24,370 | — |
| | <u>186,626</u> | <u>140,538</u> |
| Total tax charge for the period | | |

No Hong Kong tax has been provided (six months ended 31 December 2014: Nil) since no assessable profit arose in Hong Kong during the reporting period.

The Company's profit is not subject to any tax in its country of incorporation, the Cayman Islands. Income tax expense for the Group relate wholly to the profit of the subsidiary which was taxed at a statutory tax rate of 17% in Singapore.

Share of tax attributable to the joint ventures and associate amounted to S\$181,438 (six months ended 31 December 2014: S\$99,058) is included in "share of results of joint ventures" and "share of results of an associate" in the condensed consolidated statement of profit or loss and other comprehensive income respectively.

9. BASIC AND DILUTED EARNINGS PER SHARE

The weighted average number of equity shares refers to shares in issue during the period. The Group had no potentially dilutive ordinary shares (six months ended 31 December 2014: Nil) in issue during the period.

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

| | Six months ended 31 December | |
|---|---------------------------------|--------------------------|
| | 2015 S\$ Unaudited | 2014 S\$ Unaudited |
| Earnings | | |
| Profit attributable to equity holders of the Company, used in the basic earnings per share calculation | 3,029,780 | 1,929,895 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations | <u>640,000,000</u> | <u>640,000,000</u> |
| Basic and diluted earnings per share (S cents) | <u>0.47</u> | <u>0.30</u> |

10. DIVIDEND

No dividend was declared for the Interim Period (six months ended 31 December 2014: Nil).

11. INTERESTS IN JOINT VENTURES

| | 31 December 2015 S\$ Unaudited | 30 June 2015 S\$ Audited |
|------------------------------------|---|-----------------------------------|
| Unlisted shares, at cost | 375,000 | 375,000 |
| Share of post-acquisition reserves | 3,542,314 | 2,492,976 |
| Share of net assets | <u>3,917,314</u> | <u>2,867,976</u> |

Particulars of the Group's jointly ventures are as follows:

| Name | Place of registration and business | Percentage of | | | Principal activity |
|---|--|-----------------------|-----------------|-------------------|---|
| | | ownership interest | voting power | profit sharing | |
| YL Integrated Pte. Ltd. ("YL") | Singapore | 50 | 50 | 50 | Electrical works and mixed construction activities |
| NEK Electrical Engineering Pte. Ltd. ("NEK") | Singapore | 50 | 50 | 50 | Electrical works and mixed construction activities |

The Group's shareholdings in the joint ventures all comprise equity shares held through a subsidiary of the Company.

YL and NEK, which are considered material joint ventures of the Group and are accounted for using the equity method. During the Interim Period, the Group has received from a joint venture an interim dividend of S\$150,000 (six months ended 31 December 2014: S\$140,000).

12. INTERESTS IN AN ASSOCIATE

| | 31 December 2015 S\$ Unaudited | 30 June 2015 S\$ Audited |
|------------------------------------|---|-----------------------------------|
| Unlisted shares, at cost | 100,000 | 100,000 |
| Share of post-acquisition reserves | 429,474 | 441,658 |
| Share of net assets | <u>529,474</u> | <u>541,658</u> |

Particulars of the Group's associate is as follow:

| Name | Place of registration and business | Percentage of | | | Principal activity |
|--|------------------------------------|--------------------|--------------|----------------|--|
| | | ownership interest | voting power | profit sharing | |
| SRM Electrical Engineering Pte. Ltd. ("SRM") | Singapore | 50 | 50 | 50 | Electrical works and mixed construction activities |

The Group's shareholdings in the associate all comprise equity shares held through a subsidiary of the Company.

SRM, which is considered a material associate of the Group and is accounted for using the equity method. During the Interim Period, the Group did not receive interim dividend from the associate (six months ended 31 December 2014: S\$25,000).

13. PLANT AND EQUIPMENT

| | Unaudited S\$ |
|--|------------------|
| Net carrying amount at 1 July 2015 | 390,512 |
| Additions | 102,074 |
| Written off | (792) |
| Depreciation | (46,793) |
| Net carrying amount at 31 December 2015 | 445,001 |
| Net carrying amount at 1 July 2014 | 95,342 |
| Additions | 364,954 |
| Disposals | (12,543) |
| Depreciation | (43,159) |
| Net carrying amount at 31 December 2014 | 404,594 |

14. TRADE AND OTHER RECEIVABLES

| | 31 December | 30 June |
|--|-------------------------|-------------------------|
| | 2015 | 2015 |
| | S\$ | S\$ |
| | Unaudited | Audited |
| Trade receivables (non-current): | | |
| Retention sum receivables | <u>2,384,056</u> | <u>1,542,357</u> |
| Other receivables (non-current): | | |
| Advances to staff | <u>74,000</u> | <u>80,000</u> |
| Total trade and other receivables (non-current) | <u>2,458,056</u> | <u>1,622,357</u> |
| Trade receivables (current): | | |
| Third parties | 757,880 | 714,679 |
| Retention sum receivables | <u>978,809</u> | <u>954,957</u> |
| | <u>1,736,689</u> | <u>1,669,636</u> |
| Other receivables (current): | | |
| Advances to staff | 35,550 | 18,350 |
| Deposits | <u>47,230</u> | <u>58,030</u> |
| | <u>82,780</u> | <u>76,380</u> |
| Total trade and other receivables (current) | <u>1,819,469</u> | <u>1,746,016</u> |

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

Advances to staff are unsecured and non-interest bearing. Non-current amounts have an average maturity of 2 years (30 June 2015: 2.5 years).

Trade receivables (excluding retention sum receivables) are non-interest bearing and are generally on terms of 30 to 90 days.

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

| | 31 December 2015 S\$ Unaudited | 30 June 2015 S\$ Audited |
|--------------------|---|-----------------------------------|
| Within 30 days | 726,273 | 714,679 |
| 31 days to 60 days | — | — |
| More than 60 days | <u>31,607</u> | <u>—</u> |
| | <u>757,880</u> | <u>714,679</u> |

As at 31 December 2015 and 30 June 2015, the Group's trade receivables were not impaired. The aging analysis of the trade receivables (excluding retention sum receivables) that are neither individually nor collectively considered to be impaired are as follows:

| | 31 December 2015 S\$ Unaudited | 30 June 2015 S\$ Audited |
|-------------------------------|---|-----------------------------------|
| Neither past due nor impaired | 726,273 | 714,679 |
| Within 30 days past due | — | — |
| 31 days to 60 days past due | — | — |
| More than 60 days past due | <u>31,607</u> | <u>—</u> |
| | <u>757,880</u> | <u>714,679</u> |

Receivables that were past due but not impaired relate to a number of customers that have good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the customers and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancement over these balances.

15. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK IN PROGRESS

| | 31 December 2015 S\$ Unaudited | 30 June 2015 S\$ Audited |
|---|---|-----------------------------------|
| Aggregate amount of costs incurred and recognised profits (less recognised losses) to date | 94,411,843 | 83,382,995 |
| Less: Progress billings | <u>(89,926,813)</u> | <u>(80,918,999)</u> |
| | <u>4,485,030</u> | <u>2,463,996</u> |
| <i>Presented as:</i> | | |
| Gross amount due from customers for contract work in progress | <u>4,485,030</u> | <u>2,463,996</u> |

As at 31 December 2015 and 30 June 2015, there were no advances received from customers for contract work in progress.

16. INVENTORIES

| | 31 December 2015 S\$ Unaudited | 30 June 2015 S\$ Audited |
|------------------------|---|-----------------------------------|
| Raw materials, at cost | <u>31,420</u> | <u>46,630</u> |

Raw materials relate mainly to electrical cables, switchboards and light fittings.

17. CASH AND CASH EQUIVALENTS

| | 31 December 2015 S\$ Unaudited | 30 June 2015 S\$ Audited |
|---------------------------|---|-----------------------------------|
| Cash at banks and on hand | <u>18,255,278</u> | <u>17,628,754</u> |

Bank balances denominated in foreign currency as at the end of the reporting period are as follows:

| | 31 December 2015 S\$ Unaudited | 30 June 2015 S\$ Audited |
|------|---|-----------------------------------|
| HK\$ | <u>16,687,076</u> | <u>16,347,095</u> |

18. TRADE AND OTHER PAYABLES

| | 31 December 2015 S\$ Unaudited | 30 June 2015 S\$ Audited |
|-----------------------------------|---|-----------------------------------|
| Trade payables: | | |
| Third parties | 800,727 | 927,344 |
| Amounts due to a related company | — | 9,309 |
| | <u>800,727</u> | <u>936,653</u> |
| Accruals for project costs | 4,277,572 | 2,477,899 |
| Other payables: | | |
| Accrued liabilities | 314,181 | 379,462 |
| Goods and services tax payable | 76,878 | 62,788 |
| | <u>391,059</u> | <u>442,250</u> |
| Total | <u>5,469,358</u> | <u>3,856,802</u> |

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

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

| | 31 December 2015 S\$ Unaudited | 30 June 2015 S\$ Audited |
|------------------------|---|-----------------------------------|
| Trade payables: | | |
| Within 30 days | 334,806 | 501,745 |
| 31 days to 60 days | 465,921 | 434,694 |
| 61 days to 90 days | — | — |
| More than 90 days | — | 214 |
| | <u>800,727</u> | <u>936,653</u> |

19. SHARE CAPITAL AND SHARE PREMIUM

| | 31 December 2015 S\$ Unaudited | 30 June 2015 S\$ Audited |
|--|---|-----------------------------------|
| <i>Authorised:</i> | | |
| 5,000,000,000 (30 June 2015: 5,000,000,000) ordinary shares of HK\$0.01 each (30 June 2015: HK\$0.01 each) | <u>8,067,769</u> | <u>8,067,769</u> |
| <i>Issued and fully paid:</i> | | |
| 640,000,000 (30 June 2015: 640,000,000) ordinary shares of HK\$0.01 each (30 June 2015: HK\$0.01 each) | <u>1,048,880</u> | <u>1,048,880</u> |

During the Interim Period, there is no movement in share capital and share premium. A summary of the Company's share capital and share premium is as follows:

| | Number of shares in issue | Issued share capital S\$ | Share premium account S\$ | Total S\$ |
|-------------------------------------|--|---|--|--------------------------|
| At 1 July 2015 and 31 December 2015 | <u>640,000,000</u> | <u>1,048,880</u> | <u>12,366,974</u> | <u>13,415,854</u> |

20. RELATED PARTY TRANSACTIONS

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

| | <i>Notes</i> | Six months ended | |
|--|--------------|-------------------------|------------|
| | | 31 December | |
| | | 2015 | 2014 |
| | | S\$ | S\$ |
| | | Unaudited | Unaudited |
| Sub-contractor fees charged by | | | |
| — joint ventures | (i) | 405,397 | 1,005,975 |
| — associate | (i) | 647,715 | 2,975,122 |
| Rental expense charged by | | | |
| — related company | (ii) | 84,360 | — |
| — immediate and ultimate holding company | (ii) | — | 57,000 |
| Secretarial fees charged to | | | |
| — joint ventures | (iii) | 1,200 | 600 |
| — associate | (iii) | 600 | 1,200 |
| Purchases of raw materials from | | | |
| — joint venture | (iv) | 5,524 | — |
| — related company | (iv) | 63,794 | — |

Notes:

- (i) During the reporting period, Strike Singapore had subcontracted some electrical engineering works to the joint ventures and an associate.
- (ii) During the year ended 30 June 2015, Victrad Enterprise (Pte) Ltd (“Victrad”) became a related company and a substantial shareholder, from an immediate and ultimate holding company. Rental expense was charged by Victrad with reference to the rates of other similar premises. Victrad, being a substantial shareholder of the Company, is a connected person of the Company. The rental expense paid to Victrad was less than HK\$3,000,000 (approximately S\$547,000) and the applicable percentage ratios calculated pursuant to rule 14.07 of the Listing Rules was less than 5%, therefore, it fell below the de minimis threshold under rule 14A.76 of the Listing Rules and was not subject to any reporting, announcement or independent shareholders’ approval requirements.
- (iii) During the reporting period, Strike Singapore provided secretarial services to the joint ventures and an associate.
- (iv) During the reporting period, Strike Singapore purchased raw materials from a joint venture and a related company. A director of the related company is a Director and deemed substantial shareholder of the Company.

(b) Details of the Group's balances with the related company are disclosed in note 18 to the financial statements.

(c) **Commitments with related parties**

- (i) On 1 August 2013, Strike Singapore entered into a two-year agreement with Victrad, for the lease of office premises. The lease was expired on 31 July 2015 and extended for another year to 31 July 2016.
- (ii) On 1 October 2015, Strike Singapore entered into a one-year agreement with Victrad for the lease of workers dormitory units. The lease is expiring on 30 September 2016.
- (iii) The amount of total rental expenses charged by Victrad for the Interim Period is included in note 20(a)(ii) to the condensed consolidated financial statements. The total rental expenses payable to Victrad by the Group in the six months ending 30 June 2016 and to the expiry of the rental agreements on 30 September 2016 is amounting to S\$111,720 and S\$36,860 respectively. Victrad, being the substantial shareholder of the Company at the closing of the Interim Period, is a connected person of the Company. The rental expenses payable to Victrad was less than HK\$3,000,000 (approximately S\$547,000) and the applicable percentage ratios calculated pursuant to rule 14.07 of the Listing Rules was less than 5%, therefore, it fell below the de minimis threshold under rule 14A.76 of the Listing Rules and was not subject to any reporting, announcement or independent shareholders' approval requirements.

(d) **Compensation of key management personnel of the Group**

| | Six months ended | |
|---|-------------------------|-----------|
| | 31 December | |
| | 2015 | 2014 |
| | S\$ | S\$ |
| | Unaudited | Unaudited |
| Directors' fees | 80,760 | 32,500 |
| Salaries and bonuses | 316,500 | 316,500 |
| Defined contribution retirement plans | 27,516 | 24,198 |
| | 424,776 | 373,198 |
| Related parties | | |
| Remuneration paid to close family members of key management personnel | 8,042 | 18,792 |

21. CONTINGENT LIABILITIES

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

| | 31 December | 30 June |
|---|-----------------------|----------------|
| | 2015 | 2015 |
| | S\$ | S\$ |
| | Unaudited | Audited |
| Guarantees: | | |
| Security bonds to the Singapore Government in relation to foreign workers | <u>675,000</u> | <u>655,000</u> |

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

22. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred since the end of the Interim Period.

23. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved and authorised for issue by the Board on 26 February 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The first half of this financial year was filled with challenges. During the six months ended 31 December 2015, Kingbo Strike Limited (the “Company”, together with its subsidiaries, the “Group”) recorded a substantial increase of 104.9% in turnover, which was mainly attributable to more projects with significant work completion percentage were recognised during the period. As at 31 December 2015, the value of outstanding contracts to be completed was S\$51,236,167 (30 June 2015: S\$62,063,703). Among the 11 contracts on hand, 10 contracts were from public residential projects.

We shall remain prudent and cautious in the present economy and implement stringent cost control policy and advance our supply chain management for the sustainable development of the Group. In the meantime, we shall continue to explore promising ventures to diversify the business of the Group.

The principal focus of the Group is the provision of electrical engineering services.

FINANCIAL REVIEW

Revenue

For the six months ended 31 December 2015, the business in Singapore remained to be the principle source of revenue of the Group. The Group’s unaudited consolidated revenue increased by 104.9% to S\$10,503,369 (2014: S\$5,126,459) as compared to the same period of last financial year. During the period, revenue generated from electrical engineering works for public residential projects comprised approximately 99.4% (2014: approximately 99.8%) of the Group’s total revenue.

During the last financial year, certain projects secured in prior years experienced a slowdown on worksite schedule which turned to pick up the progress of work done for the six months ended 31 December 2015. Accordingly, more projects with significant percentage of completion was recognised and revenue of the Group boosted as compared to the same period of last financial year.

Profit

During the period under review, gross profit of the Group rose by 29.0% to S\$2,134,623 (2014: S\$1,654,460) as compared to the same period of last financial year. Gross profit margin for the period decreased to 20.3% (2014: 32.3%) for higher cost of sales for projects undertaken. Gross profit margin of the Group may vary from individual various projects depending on their scale, complexity, specifications, timing and capacity to manage. Profit for the period increased by 57.0% to S\$3,029,780 (2014: S\$1,929,895) and basic earnings per share for the period increased by 56.7% to S 0.47 cents (2014: S 0.3 cents). The increase in profit was primarily attributable to (a) an upsurge of approximately 104.9% in revenue generated by the Group and an increase of approximately 86.0% in share of results of joint ventures as a result of more projects with significant percentage of completion being recognised during the interim period; and (b) the depreciation of Singapore dollars against Hong Kong dollars resulting in a significant increase in non-cash foreign exchange gain generated from the translation of the Hong Kong dollars bank deposits at the closing of the interim period.

Other Income

During the period, other operating income amounted to S\$790,930 (2014: S\$442,215) was primarily derived from unrealised foreign exchange differences, bank interest received and government incentives.

Other Expenses

Impacted primarily by the rise of salaries, professional fee, rental and travelling expenses and other employees benefits, administrative expenses increased by 23.2% to S\$765,851 (2014: S\$621,737) during the period.

Finance costs for the six months ended 31 December 2015 increased to S\$3,295 (2014: S\$183) as more bank charges were incurred in daily operating activities. The impact of finance costs for the period was insignificant.

Taxation

The effective tax rate applicable to the profit of the Group for the six months ended 31 December 2015 was 5.8% (2014: 6.8%).

The deferred tax liabilities increased by 96.5% as a result of increase in difference in the depreciation of plant and equipment for tax purposes.

Share of Results of Joint Ventures

The Group's share of results of joint ventures increased by 86.0% to S\$1,199,338 (2014: S\$644,707) during the period under review. The increase in results contribution from joint ventures was mainly attributable to the improvement of operating performance as a result of more projects with significant percentage of completion being recognised for the period and the re-classification of NEK Electrical Engineering Pte Ltd from an associate to a joint venture in June 2015.

Share of Results of an Associate

Since most of the projects secured by the associate company had significantly completed in the previous financial years and a newly secured project has not yet commenced during the period under review, the Group's share of results of an associate recorded a loss of S\$12,184 (2014: gain of S\$112,175).

Liquidity, Financial Resources and Gearing

As at 31 December 2015, net current assets of the Group was S\$18,817,310 (30 June 2015: S\$17,690,502). Besides, the Group maintained cash and cash equivalents of S\$18,255,278, of which 91.4% and 8.6% were denominated in Hong Kong dollars and Singapore dollars respectively (30 June 2015: S\$17,628,754, of which 92.7% and 7.3% were denominated in Hong Kong dollars and Singapore dollars respectively).

As at 31 December 2015, the Group had no outstanding bank borrowings (30 June 2015: nil) and the Group's gearing ratio was zero (30 June 2015: zero), which was calculated on the basis of outstanding borrowings over the total assets of the Group.

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

The Group adopted conservative treasury policies in cash and financial management. Source of fund for operations mainly derived from cash inflows generated from operating activities. The liquidity and financing requirements of the Group were reviewed regularly.

The Group's business mainly operates in Singapore, accordingly, its revenue and transactions arising from its operations were generally settled in Singapore dollars whereas the bank balance of the Company was principally denominated in Hong Kong dollars. As a result, fluctuations in the value of Singapore dollars against Hong Kong dollars could adversely affect the cash and cash equivalent which is reported in Singapore dollars. During the six months ended 31 December 2015, the Group did not experience any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation.

The Group did not use any financial instruments for hedging purposes during the period and there was no hedging instruments outstanding as at 31 December 2015. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

Charge on Assets

As at 31 December 2015, the Group had no charges on its assets (30 June 2015: nil).

Capital Expenditure and Commitments

During the six months ended 31 December 2015, the Group had capital expenditure of S\$102,074 (2014: S\$364,954).

The Group had no capital commitments at 31 December 2015 and 30 June 2015.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Associated Companies, and Future Plans for Material Investments or Capital Assets

Save for those disclosed in notes 1, 11 and 12 to the condensed consolidated financial statements of this Interim Report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review.

Use of Proceeds

Net proceeds raised from the initial public offerings of the Company in 2013 was S\$7,892,159.

The usages of net proceeds up to 31 December 2015 were as follows:

| Intended Applications | Actual net proceeds S\$ | Balance as at 30 June 2015 S\$ | Amount utilised during the period S\$ | Balance as at 31 December 2015 S\$ |
|--|--|---|--|---|
| Purchase of materials | 4,151,177 | 1,303,398 | 1,303,398 | – |
| Expand workforce | 1,312,625 | 261,929 | 261,929 | – |
| Capital contribution to joint venture and associate | 820,391 | 670,391 | – | 670,391 |
| Expand market share | 820,391 | 820,391 | – | 820,391 |
| Working capital | 787,575 | – | – | – |
| | <u>7,892,159</u> | <u>3,056,109</u> | <u>1,565,327</u> | <u>1,490,782</u> |

The balance of the net proceeds was deposited in licensed financial institutions in Hong Kong.

Contingent Liabilities

Save as disclosed in note 21 to the condensed consolidated financial statements of this Interim Report, the Group had no other contingent liabilities as at 31 December 2015.

Employment and Remuneration Policy

As at 31 December 2015, total number of employees of the Group was 175 (30 June 2015: 167). During the period under review, employees costs (including Directors' emoluments) amounted to S\$1,979,174 (2014: S\$1,378,269). Remuneration of the employees which included salary and discretionary bonus was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to qualified personnel.

PROSPECTS

Amidst the moderate economic growth in Singapore, the Group maintained a satisfactory results for the six months ended 31 December 2015. The Building and Construction Authority of Singapore expected that the demand from public sector will become stronger in 2016 largely due to an increase in civil engineering demand, including but not limited to the ramp-up in flats developed by the Housing and Development Board of Singapore. We remain cautious optimistic on the outlook of 2016. The Group will continue to take prudent measures and explore opportunities in other new business areas in different territories with the aim of minimising the risk and optimising the value of the Group and our shareholders as a whole.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

Kingbo Strike Limited (the “Company”, together with its subsidiaries, the “Group”) has applied the principles of Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and complied with all applicable code provisions of the CG Code throughout the six months ended 31 December 2015, save and except for the deviations from code provisions A.6.7.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The independent non-executive directors of the Company (the “Independent Non-executive Directors”) were unable to attend the annual general meeting of the Company held on 13 November 2015 due to their other business engagements.

The audit committee of the Company (the “Audit Committee”) was established on 9 December 2013 with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. The Audit Committee comprised four non-executive directors, amongst which three are independent. The Audit Committee has reviewed with senior management the accounting principles and practices adopted by the Group and also discussed the financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Company for the six months ended 31 December 2015.

The remuneration committee of the Company (the “Remuneration Committee”) was established on 9 December 2013 with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. The Remuneration Committee comprised four non-executive directors, amongst which three are independent. The Remuneration Committee is responsible for advising the Board on the emolument policies towards directors and senior management.

The nomination committee of the Company (the “Nomination Committee”) was established on 9 December 2013 with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. The Nomination Committee comprised four members, amongst which three are Independent Non-executive Directors and one is executive director.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the directors of the Company (the “Directors”). Having made specific enquiry, all Directors confirmed that they complied with the required standard of dealings as set out in the Model Code throughout the six months ended 31 December 2015.

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

During the six months ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 31 December 2015.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The interim results announcement of the Company for the six months ended 31 December 2015 is published on the websites of the Stock Exchange at www.hkex.com.hk and of the Company at www.kingbostrike.com respectively.

APPRECIATION

On behalf of the board of Directors, we would like to express our gratitude to all our customers, suppliers, shareholders and other stakeholders for their continuous support. We would also like to thank our team of dedicated staff for their valuable services and contributions throughout the interim period.

On behalf of the Board
Kingbo Strike Limited
Peng Rongwu
Chairman and Executive Director

Hong Kong, 26 February 2016

As at the date of this announcement, the Board consists of two executive Directors, Mr. Peng Rongwu and Mr. Yeo Jiew Yew, one non-executive Director, Mr. Tam Tak Wah and three Independent Non-executive Directors, Mr. Lam Kwan Yau Gilbert, Mr. Leung Po Hon and Mr. Ng Wai Hung.