KAKIKO GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2225

Interim Report 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Guobao *(Chairman)*
(appointed on 19 July 2019)
Mr. Wang Zhenfei *(Chief Executive Officer)*
(appointed on 19 July 2019)
Mr. Kuah Ann Thia
(resigned on 19 July 2019)
Ms. Dolly Hwa Ai Kim (also known as Ms. Dolly Ke Aijin) (resigned on 19 July 2019)

Non-executive Directors

Mr. Yang Fu Kang *(Deputy Chairman)*
(appointed on 19 July 2019)
Mr. Li Yunping (appointed on 19 July 2019)
Mr. Wang Huasheng
(appointed on 19 July 2019)
Mr. Jiang Jiangyu
(appointed on 19 July 2019)
Mr. Lu Yong (resigned on 19 July 2019)

Independent Non-executive Directors

Mr. Yan Jianjun (appointed on 19 July 2019)
Mr. Fan Yimin (appointed on 19 July 2019)
Mr. Lau Kwok Fai Patrick
Mr. Ong Shen Chieh (also known as Mr. Wang Shengjie)
(resigned on 19 July 2019)
Mr. Lam Raymond Shiu Cheung
(resigned on 19 July 2019)

Audit Committee

Mr. Yan Jianjun *(Chairman)*
(appointed on 19 July 2019)
Mr. Yang Fu Kang
(appointed on 19 July 2019)
Mr. Wang Huasheng
(appointed on 19 July 2019)
Mr. Fan Yimin (appointed on 19 July 2019)
Mr. Lau Kwok Fai Patrick
(resigned as chairman and appointed as member on 19 July 2019)
Mr. Ong Shen Chieh
(resigned on 19 July 2019)
Mr. Lam Raymond Shiu Cheung
(resigned on 19 July 2019)

Nomination Committee

Mr. Chen Guobao *(Chairman)*
(appointed on 19 July 2019)
Mr. Li Yunping (appointed on 19 July 2019)
Mr. Yan Jianjun (appointed on 19 July 2019)
Mr. Fan Yimin (appointed on 19 July 2019)
Mr. Lau Kwok Fai Patrick
Mr. Lam Raymond Shiu Cheung
(resigned on 19 July 2019)
Mr. Ong Shen Chieh
(resigned on 19 July 2019)

Remuneration Committee

Mr. Yan Jianjun *(Chairman)*
(appointed on 19 July 2019)
Mr. Wang Zhenfei
(appointed on 19 July 2019)
Mr. Jiang Jiangyu
(appointed on 19 July 2019)
Mr. Fan Yimin (appointed on 19 July 2019)
Mr. Lau Kwok Fai Patrick
Mr. Ong Shen Chieh
(resigned on 19 July 2019)
Mr. Lam Raymond Shiu Cheung
(resigned on 19 July 2019)

COMPANY SECRETARY

Mr. Cheung Ka Chun
(appointed on 28 June 2019)
Mr. Chan Yip Wang
(appointed on 2 March 2019 and resigned on 28 June 2019)
Mr. Kwok Siu Man
(resigned on 2 March 2019)

AUTHORISED REPRESENTATIVES

Mr. Wang Zhenfei
Mr. Cheung Ka Chun

INDEPENDENT AUDITOR

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants, Singapore
24 Raffles Place
#07-03 Clifford Centre
Singapore 048621

LEGAL ADVISER

As to Hong Kong law
Wan & Tang
Solicitors of Hong Kong
23/F, Somptueux Central
52 Wellington Street
Central, Hong Kong

REGISTERED OFFICE

Vistra (Cayman) Limited
P. O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road, Grand Cayman
KY1-1205 Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

750 Chai Chee Road
#03-10/14 Viva Business Park
Singapore 469000

21B Senoko Loop
Singapore 758171
(with effect from 5 September 2019)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2503, Cosco Tower
183 Queen's Road Central
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Hong Kong

Bank of Singapore Limited
63 Market Street #22-00
Bank of Singapore Centre
Singapore 048942

DBS Bank Ltd
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

OCBC Bank Ltd
65 Chulia Street
OCBC Centre
Singapore 049513

United Overseas Bank Limited
1 Tampines Central 1
#02-03 UOB Tampines Centre
Singapore 529539

LISTING INFORMATION

Place: Main Board of The Stock Exchange of
Hong Kong Limited
Stock code: 2225
Board lot: 5,000 shares

COMPANY WEBSITE

http://kttgroup.com.sg

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 S$ (Unaudited)	2018 S$ (Unaudited)
Revenue	4	**25,361,949**	21,934,069
Cost of services		**(19,699,945)**	(18,346,127)
Gross profit		**5,662,004**	3,587,942
Other income	5	**1,131,555**	523,925
Selling expenses		**(21,797)**	(14,515)
Administrative expenses		**(5,989,176)**	(5,590,656)
Other gains and losses	6	**350,563**	186,368
Finance costs		**(297,606)**	(1,439)
Profit/(loss) before taxation	7	**835,543**	(1,308,375)
Income tax expense	8	**(142,042)**	–
Profit/(loss) after taxation, representing total comprehensive income/(loss) for the period		**693,501**	(1,308,375)
Earnings/(loss) per share			
Basic and diluted	10	**0.06 cent**	(0.11) cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 S$ (Unaudited)	31 December 2018 S$ (Audited)
Non-current assets			
Property, plant and equipment		**2,629,584**	3,235,443
Investment property		**108,973**	152,762
Right-of-use assets		**12,196,453**	–
Other receivables		**11,177**	1,200,828
Deferred tax assets		**447,858**	589,900
		15,394,045	5,178,933
Current assets			
Trade receivables	11	**7,583,690**	7,546,044
Other receivables, deposits and prepayments		**1,722,322**	2,119,070
Contract assets		**6,204**	–
Financial assets at fair value through profit or loss		**74,000**	2,966,271
Bank balances and cash		**21,100,541**	15,995,300
		30,486,757	28,626,685
Current liabilities			
Trade and other payables	12	**6,995,160**	7,547,990
Contract liabilities	13	**590,446**	556,214
Lease liabilities		**4,858,710**	62,063
Income tax payable		**298,936**	333,372
		12,743,252	8,499,639
Net current assets		**17,743,505**	20,127,046
Non-current liabilities			
Other payables	12	**7,706**	48,003
Lease liabilities		**7,457,783**	279,416
Deferred tax liabilities		**90,400**	90,400
		7,555,889	417,819
Net assets		**25,581,661**	24,888,160
Capital and reserves			
Share capital	14	**2,142,414**	2,142,414
Share premium	15	**14,958,400**	14,958,400
Merger reserves		**1,350,000**	1,350,000
Accumulated profits		**7,130,847**	6,437,346
		25,581,661	24,888,160

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company				
	Share capital S$	**Share premium** S$	**Merger reserves (Note a)** S$	**Accumulated profits** S$	**Total** S$
At 1 January 2018	2,142,414	14,958,400	1,350,000	9,976,298	28,427,112
Loss representing total comprehensive loss for the period	–	–	–	(1,308,375)	(1,308,375)
At 30 June 2018 (unaudited)	2,142,414	14,958,400	1,350,000	8,667,923	27,118,737
At 1 January 2019	**2,142,414**	**14,958,400**	**1,350,000**	**6,437,346**	**24,888,160**
Profit representing total comprehensive income for the period	**–**	**–**	**–**	**693,501**	**693,501**
At 30 June 2019 (unaudited)	**2,142,414**	**14,958,400**	**1,350,000**	**7,130,847**	**25,581,661**

Note:

(a) Merger reserves represent the difference between the cost of the acquisition for the reorganisation and the value of share capital of the entities acquired. Details of the reorganisation are set out in the section headed "A. Further information about our Company – 4. Corporate Reorganisation" in Appendix IV to the prospectus of the Company dated 4 October 2017.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	S$	S$
	(Unaudited)	(Unaudited)
Operating activities		
Profit/(loss) before taxation	**835,543**	(1,308,375)
Adjustments for:		
Depreciation of property, plant and equipment	**485,896**	482,815
Depreciation of investment property	**46,939**	46,589
Depreciation of right-of-use assets	**2,499,855**	–
Finance costs	**297,606**	1,439
Interest income	**(635,268)**	(8,287)
Dividend income	**(1,400)**	(1,400)
(Gain)/loss on fair value movement on financial assets measured at fair value through profit or loss ("FVTPL")	**(181,568)**	8,800
Gain on disposal of financial assets measured at FVTPL	**(3,206)**	–
Unrealised foreign exchange loss/(gain)	**121,996**	(218,383)
(Reversal of)/Impairment loss recognised on trade and other receivables	**(309,774)**	35,114
Operating cash flow before movements in working capital	**3,156,619**	(961,688)
Movements in working capital:		
Decrease/(increase) in trade receivables	**272,128**	(89,060)
Decrease/(increase) in other receivables, deposits and prepayments	**2,078,009**	(310,461)
Increase in contract assets	**(6,204)**	–
Decrease in trade and other payables	**(593,127)**	(687,347)
Increase in contract liabilities	**34,232**	531,723
Cash generated from/(used in) operations	**4,941,657**	(1,516,833)
Income taxes paid	**(34,436)**	(964,934)
Net cash from/(used in) operating activities	**4,907,221**	(2,481,767)

	Six months ended 30 June	
	2019	2018
	S$	S$
	(Unaudited)	(Unaudited)
Investing activities		
Additions to investment property	**(3,150)**	–
Acquisition of a subsidiary, net of cash acquired	**–**	84,151
Purchase of financial assets at fair value through profit or loss	**–**	(2,936,072)
Purchase of held-to-maturity financial assets	**–**	(867,720)
Purchase of property, plant and equipment	**(238,215)**	(186,229)
Proceeds from disposal of financial assets measured at FVTPL	**3,077,045**	–
Interest received	**84,290**	8,287
Dividends received from financial assets measured at FVTPL	**1,400**	1,400
Net cash from/(used in) investing activities	**2,921,370**	(3,896,183)
Financing activities		
Interest paid	**(5,958)**	(1,439)
Repayment of lease liabilities (2018: Repayment of finance lease payables)	**(2,595,396)**	(7,693)
Cash used in financing activities	**(2,601,354)**	(9,132)
Net increase/(decrease) in cash and cash equivalents	**5,227,237**	(6,387,082)
Cash and cash equivalents at beginning of the period	**15,995,300**	21,747,251
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**(121,996)**	218,383
Cash and cash equivalents at end of the period	**21,100,541**	15,578,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 14 February 2017. The immediate and ultimate holding company of the Group is Full Fortune International Co., Ltd. The ultimate controlling party is Mr. Chen Guobao, who is also the Chairman and executive Director of the Company. The registered office of the Company is at P. O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company was registered 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 "**Hong Kong Companies Ordinance**") on 29 September 2017 and its principal place of business in Hong Kong is at Room 2503, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong. The headquarters and principal place of business of the Company in Singapore is at 750 Chai Chee Road, #03-10/14 Viva Business Park, Singapore 469000. The issued Shares have been listed on the Main Board of the Stock Exchange with effect from on 17 October 2017.

The Company is an investment holding company and the principal activities of its operating subsidiaries are provision of manpower outsourcing and ancillary services, provision of dormitory services, and provision of IT services and construction ancillary services for the building and construction industry.

The functional currency of the Company is S$, which is also the presentation currency of the Company and its principal subsidiaries.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In preparing for the initial listing of the Company's shares on the Main Board of the Stock Exchange (the "**Listing**"), the companies comprising the Group underwent a group reorganisation (the "**Reorganisation**") as set out in the section headed "A. Further information about our Company – 4. Corporate Reorganisation" in Appendix IV to the prospectus of the Company dated 4 October 2017.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the unaudited consolidated financial statements have been prepared to include the financial statements of the companies now comprising the Group.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 1 January 2019, the Group adopted all the new and revised International Financial Reporting Standards (the "**IFRSs**") and Interpretations of IFRS ("**INT IFRS**") that are effective and relevant to its operations. The adoption of these new/revised IFRSs and INT IFRSs does not result in significant changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior periods except as disclosed below.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 supersedes IAS 17 *Leases* and the related interpretations.

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

IFRS 16 *Leases* *(Continued)*

The Group has applied IFRS 16 using the modified retrospective method with the cumulative effect of initially applying this standard recognised at the date of initial application (1 January 2019) as an adjustment to the opening balances, as permitted under the specific transitional provisions in the standard. Therefore, the comparative information was not restated and continues to be reported under IAS 17 and the related interpretations. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("**short-term leases**"), and lease contracts for which the underlying asset is of low value.

On adoption of IFRS 16, the Group recognised right-of-use assets and corresponding lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. For leases previously classified as finance leases, the Group recognised a right-of-use asset measured initially at the previous carrying amount of the finance lease asset under IAS 17 and lease liability measured at the previous carrying amount of the lease liability under IAS 17.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	S$
Operating lease commitments as at 31 December 2018 (audited)	15,302,116
Discounted at incremental borrowing rate at the date of initial application	14,442,024
Add: Finance lease liabilities recognised as at 31 December 2018	341,479
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(313,414)
Lease liability recognised as at 1 January 2019 (unaudited)	14,470,089
Of which are:	
Current lease liabilities	4,658,433
Non-current lease liabilities	9,811,656
	14,470,089

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

IFRS 16 *Leases* *(Continued)*

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 S$ (Unaudited)	1 January 2019 S$ (Unaudited)
Properties	**11,679,032**	14,128,610
Equipment	**13,872**	1,576
Motor vehicles	**503,549**	356,602
Total right-of-use assets	**12,196,453**	14,486,788

The following adjustments were made to the amounts recognised in the unaudited consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Previously reported as at 31 December 2018 (Audited) S$	**Adoption of IFRS 16** (Unaudited) S$	**Adjusted as at 1 January 2019** (Unaudited) S$
Non-current assets			
Property, plant and equipment	3,235,443	(358,178)	2,877,265
Right-of-use assets	–	14,486,788	14,486,788
Current liabilities			
Lease liabilities	62,063	4,596,370	4,658,433
Non-current liabilities			
Lease liabilities	279,416	9,532,240	9,811,656

At the date of authorisation of these unaudited consolidated financial statements, the Group has not applied any new IFRSs that have been issued but are not yet effective.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the consideration specified in contracts with customers for the provision of manpower outsourcing and ancillary services, dormitory services, IT services and construction ancillary services, solely derived in Singapore.

Information is reported to Mr. Kuah Ann Thia, the chief operating decision maker of the Group ("**CODM**") for the Period, for the purposes of resource allocation and performance assessment. The CODM reviews revenue by nature of services, i.e. provision of manpower outsourcing and ancillary services to contractors of construction projects, provision of dormitory services, provision of IT services and provision of construction ancillary services and profit for the Period as a whole. No further detailed analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review. Accordingly, only entity-wide disclosures on services, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

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

	Six months ended 30 June	
	2019	2018
	S$	S$
	(Unaudited)	(Unaudited)
Revenue recognised over time:		
Provision of manpower outsourcing and ancillary services	**21,804,489**	18,823,092
Provision of dormitory services	**2,768,876**	2,588,198
Provision of IT services	**415,500**	304,220
Provision of construction ancillary services	**373,084**	218,559
	25,361,949	21,934,069

As permitted under IFRS 15, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period has not been disclosed as those performance obligations are part of customer contracts that have original expected duration of one year or less.

Major customers

There was no individual customer that contributed over 10% of total revenue of the Group during the respective periods.

Geographical information

The Group principally operates in Singapore, which is also its place of domicile. All revenues are derived from Singapore based on the location of services delivered and the Group's property, plant and equipment are all located in Singapore.

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	S$	S$
	(Unaudited)	(Unaudited)
Government grants *(Note a)*	**277,584**	324,175
Dividend income from equity investments	**1,400**	1,400
Interest income *(Note b)*	**635,268**	8,287
Forfeiture of customer deposits	**7,400**	18,422
Work injury/workmen compensation claims	**94,943**	55,126
Sub-leasing income	**100,479**	99,958
Others	**14,481**	16,557
	1,131,555	523,925

Notes:

a. Government grants mainly include the Wages Credit Scheme (the "**WCS**"), the Workforce Training and Upgrading Scheme ("**WTU**"), and the retrofitting grants.

During the periods ended 30 June 2019 and 2018, respective grants of S$129,811 and S$116,220 under WCS were received. Under this credit scheme, the Singapore Government provides assistance to Singapore-registered businesses by way of co-funding 20% of wage increases given to Singapore citizen employees earning a gross monthly wage of S$4,000 or below.

During the periods ended 30 June 2019 and 2018, the Group received respective grants of S$68,991 and S$18,881 under the WTU which co-funds up to 90% of the costs of selected skills assessment and training courses to upgrade the skills of workforce in the built environment.

In 2018, the Group received retrofitting grants of S$215,678 from the MOM of the Singapore Government to subsidise the costs incurred for retrofitting the Group's investment property. Of the total grant received, S$124,959 has been recognised in profit or loss, of which S$42,355 was recognised in 1H2019. The remaining S$90,719 is recognised as deferred income as at 30 June 2019 (Note 12).

The remaining balances of grants are incentives received upon fulfilling the conditions for compensation of expenses already incurred or as immediate financial support with no future related costs nor related to any assets.

b. Included in the interest income is interest of S$550,978 (1H2018: Nil) deemed to have been received by the Group from receivables arising from the one-off profit sharing arrangement with Mines & Mineral Resources Co. Ltd. ("**Mines & Mineral**"), a third party counterparty in Myanmar, and the termination of convertible bonds issued by Mines & Mineral which was converted to a receivable in 2018.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	S$	S$
	(Unaudited)	(Unaudited)
Gain on disposal of equity investments	**3,206**	–
Changes in fair value of financial assets at fair value through profit or loss	**181,568**	(8,800)
Foreign exchange gain/(loss), net	**(143,985)**	230,282
Reversal of/(Impairment loss) recognised on trade and other receivables	**309,774**	(35,114)
	350,563	186,368

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before tax for the period has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	S$	S$
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**485,896**	482,815
Depreciation of right-of-use assets	**2,499,855**	–
Depreciation of investment property	**46,939**	46,589
Workers and staff costs		
– Salaries, wages and other benefits	**11,474,855**	11,042,445
– Contribution to retirement benefit plans	**550,914**	576,807
– Foreign worker levy	**6,801,621**	6,380,999
Total workers and staff costs	**18,827,390**	18,000,252
Gross rental income from investment property	**2,768,876**	2,588,198
Less: direct operating expenses incurred for investment property that generated rental income during the period	**(2,006,149)**	(1,866,810)
	762,727	721,388

8. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2019	2018
	S$	S$
	(Unaudited)	(Unaudited)
Tax expense comprises:		
Current tax – Singapore corporate income tax ("**CIT**")	**142,042**	–

9. DIVIDEND

No dividend was paid or declared by the Company for the six months ended 30 June 2019 and 2018.

10. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to the owners of the Company for the purpose of basic earnings/(loss) per share *(S$)*	**693,501**	(1,308,375)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**1,230,000,000**	1,230,000,000
Basic and diluted earnings/(loss) per share *(S$ cents)*	**0.06**	(0.11)

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the period attributable to owners of the Company and the weighted average number of Shares in issue.

Diluted earnings/(loss) per share is the same as the basic earnings per share because the Group had no dilutive securities that are convertible into shares during the periods ended 30 June 2019 and 2018.

11. TRADE RECEIVABLES

	30 June 2019 S$ (Unaudited)	31 December 2018 S$ (Audited)
Trade receivables	**9,430,535**	9,702,663
Less: loss allowance	**(1,846,845)**	(2,156,619)
	7,583,690	7,546,044

The credit terms to customers are ranging from 3 to 30 days from the invoice date for trade receivables. Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed once a year.

Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Ageing analysis of the Group's trade receivables that are not impaired is as follows:

	30 June 2019 S$ (Unaudited)	31 December 2018 S$ (Audited)
Not past due	**2,871,014**	2,849,290
1 to 30 days	**3,571,106**	3,709,169
31 to 60 days	**425,756**	663,111
61 to 90 days	**190,538**	113,377
91 to 180 days	**301,853**	66,248
181 to 365 days	**160,333**	96,745
>365 days	**63,090**	48,104
	7,583,690	7,546,044

12. TRADE AND OTHER PAYABLES

Current

	30 June 2019 S$ (Unaudited)	31 December 2018 S$ (Audited)
Trade payables	947,183	800,695
Accrued operating expenses	3,067,888	3,747,356
Other payables		
Goods and services tax payables	1,489,023	1,463,528
Customer deposits received	1,137,046	1,104,066
Deferred income	83,013	85,071
Deferred rent	–	16,267
Others	271,007	331,007
	6,995,160	7,547,990

Non-current

	30 June 2019 S$ (Unaudited)	31 December 2018 S$ (Audited)
Other payables		
Deferred income	7,706	48,003

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

	30 June 2019 S$ (Unaudited)	31 December 2018 S$ (Audited)
Within 30 days	647,008	324,526
31 days to 90 days	146,178	191,089
Over 90 days	153,997	285,080
	947,183	800,695

The credit period on purchases from suppliers ranges from 7 to 60 days or payable upon delivery.

13. CONTRACT LIABILITIES

	30 June 2019 S$ (Unaudited)	31 December 2018 S$ (Audited)
Amounts received in advance of provision of dormitory and IT services	**590,446**	556,214

For customer contracts for provision of dormitory and IT services, revenue is recognised over time although billings for the services are made and payment due prior to provision of the services. A contract liability is recognised for revenue relating to the dormitory and IT services when the payment becomes due and is released over the related service period.

14. SHARE CAPITAL

	Number of shares	Per value HK$	Share capital HK$
Authorised:			
At 1 January 2018 (audited), 31 December 2018 (audited) and 30 June 2019 (unaudited)	2,000,000,000	0.01	20,000,000

	Number of shares	Share capital S$
Issued and fully paid ordinary shares:		
At 1 January 2018 (audited), 31 December 2018 (audited) and 30 June 2019 (unaudited)	1,230,000,000	2,142,414

15. SHARE PREMIUM

Share premium represents the excess of the consideration for the shares issued over the aggregate par value.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a Singapore-based service provider and mainly provides manpower outsourcing and ancillary services to building and construction contractors in the Republic of Singapore ("**Singapore**"). To a lesser extent, the Group also provides dormitory services, IT services and construction ancillary services (which comprise warehousing services, cleaning services and building maintenance works) in Singapore. The Group commenced the business of providing manpower outsourcing services in Singapore in 2006.

The Group's revenue for the Period was approximately S$25.4 million (1H2018: approximately S$21.9 million). Gross profit increased from approximately S$3.6 million for 1H2018 to approximately S$5.7 million for 1H2019, while gross profit margin increased from approximately 16.4% for 1H2018 to approximately 22.3% for 1H2019.

The Building Construction Authority of Singapore estimated that the total value of construction contracts to be awarded in 2019 could be in the upper limit of S$32 billion, comparable to the preliminary estimate of S$30.5 billion in 2018. The higher projection is on the back of a good pipeline of major public infrastructure and industrial projects. Construction demand from the private sector is expected to remain steady supported by the redevelopment of en-bloc sales sites concluded prior to the second half of 2018, along with new industrial developments. In light of this, the Group is cautiously optimistic about the demand for manpower outsourcing services in the remaining months of 2019.

SIGNIFICANT EVENT

In May 2019, Full Fortune International Co., Ltd ("**Full Fortune**") agreed to acquire 632,500,000 shares of the Company, representing approximately 51.42% of the issued share capital of the Company as at the date of the joint announcement dated 31 May 2019 from the then shareholders of the Company at a total consideration of approximately HK$257.1 million. The share acquisition was completed in May 2019 and Full Fortune has become the controlling shareholder of the Company. For details, please refer to the announcements of the Company dated 31 May 2019 and 19 July 2019, and the composite document of the Company dated 28 June 2019.

PROPOSED CHANGE OF COMPANY NAME

On 20 August 2019, the Board announced that the Company proposes to (i) change the name of the Company from "Kakiko Group Limited" to "Jinhai International Group Holdings Limited" and (ii) adopt a dual foreign name in Chinese of "今海國際集團控股有限公司". The change of company name is subject to the approval by the Shareholders at the extraordinary general meeting of the Company to be held on 16 September 2019 by way of a special resolution and the approval of the Registrar of Companies in the Cayman Islands. For details, please refer to the announcement of the Company dated 20 August 2019 and the circular of the Company dated 28 August 2019.

FINANCIAL REVIEW

Revenue

The Group's revenue increased from approximately S$21.9 million for 1H2018 to approximately S$25.4 million for 1H2019. The following table sets forth a breakdown of the revenue for 1H2019 and 1H2018 indicated:

	1H2019 S$ (Unaudited)	1H2018 S$ (Unaudited)	Increase/ (Decrease) by S$
Manpower outsourcing and ancillary services	**21,804,489**	18,823,092	2,981,397
Dormitory services	**2,768,876**	2,588,198	180,678
Construction ancillary services	**373,084**	218,559	154,525
IT services	**415,500**	304,220	111,280
	25,361,949	21,934,069	3,427,880

Revenue from manpower outsourcing and ancillary services increased from approximately S$18.8 million in 1H2018 to approximately S$21.8 million in 1H2019, representing an increase of approximately 15.8%. This was mainly due to increases in construction demand and the charge-out rate of foreign workers as the Singapore construction industry continues to recover in 1H2019.

Revenue from dormitory services remained broadly stable at approximately S$2.8 million and S$2.6 million for 1H2019 and 1H2018, respectively. Given the occupancy rate of our dormitory, the current capacity of our dormitory is insufficient to capture further business opportunities, which results in the stable revenue derived from dormitory services. Towards the end of 2018, the Group rented an industrial property-cum-dormitory which has a right of first offer to purchase in the event the property is available for sale.

Revenue from construction ancillary services in 1H2019 increased by approximately S$0.15 million as compared to that in 1H2018. This was mainly due to an increase in sales from warehousing services due to additional industrial space rented out.

The increase in revenue from IT services from approximately S$0.3 million in 1H2018 to approximately S$0.4 million in 1H2019 was mainly due to a one-off system upgrade project in 1H2019 and an increase in the number of maintenance and support days required by our sole IT customer.

Gross profit and gross profit margin

The Group's gross profit increased from approximately S$3.6 million for 1H2018 to approximately S$5.7 million for 1H2019, while gross profit margin increased from approximately 16.4% for 1H2018 to approximately 22.3% for 1H2019. Such increases were mainly due to an increase in revenue as mentioned above, partially offset by an increase in costs of services from approximately S$18.3 million in 1H2018 to approximately S$19.7 million in 1H2019, which was due primarily to the following:

a. increase in foreign workers' wages from approximately S$5.4 million in 1H2018 to approximately S$6.2 million in 1H2019 due to the fact that more workers were retained and recruited in 1H2019 as compared to that in prior period due to higher construction demand as mentioned above; and

b. increase in foreign workers' levy from approximately S$6.4 million in 1H2018 to approximately S$6.8 million in 1H2019 mainly due to more workers were retained and recruited by the Group in 1H2019.

Besides the above reasons, in the adoption of IFRS 16 which became effective on 1 January 2019 (Note 3), depreciation has increased from approximately S$0.5 million in 1H2018 to approximately S$2.9 million in 1H2019, offset by a decrease of S$2.5 million in rental expenses as lessee will now recognise the finance costs and depreciation of right-of-use assets instead of operating lease expenses.

Other income

Other income increased from approximately S$0.52 million in 1H2018 to approximately S$1.13 million in 1H2019 mainly due to (i) an increase of approximately S$76,000 in interest earned from short-term deposits and treasury products; and (ii) the recognition of approximately S$0.55 million of interest deemed to have been received by the Group from receivables arising from the one-off profit sharing arrangement with Mines & Mineral Resources Co. Ltd. ("**Mines & Mineral**"), a third party counterparty in Myanmar, and the termination of convertible bonds issued by Mines & Mineral which was converted to a receivable in 2018.

Administrative expenses

Administrative expenses increased from approximately S$5.6 million in 1H2018 to approximately S$6.0 million in 1H2019 mainly due to (ii) expenses incurred for the upkeeping of an industrial property-cum-dormitory rented in 4Q2018; (ii) an increase in the headcount and salaries of back office staff; and (iii) fees paid to professional parties for the provision of services relating to the unconditional mandatory cash offer by Guotai Junan Securities (Hong Kong) Limited for and on behalf of Full Fortune to acquire the issued shares of the Company (the "**Offer**") and the related costs incurred for the translation, typesetting and delivery of the composite document relating to the Offer.

Other gains

Other gains increased by approximately S$0.16 million in 1H2019 due mainly to (i) gain on fair value movement of equity instruments designated at fair value through profit or loss of approximately S$0.18 million; and (ii) the reversal of impairment loss recognised on trade receivables of approximately S$0.3 million due to recovery of debts in 1H2019. This was partially offset by the net foreign exchange loss of approximately S$0.14 million (1H2018: net foreign exchange gain of approximately S$0.23 million) as a result of the revaluation of bank balances denominated in Hong Kong dollar ("**HK$**"), which depreciated against Singapore dollar ("**S$**") in 1H2019.

Finance costs

Finance costs increased by approximately S$0.3 million due to the adoption of IFRS 16 (Note 3) as the Group recognises the finance costs and depreciation of the right-of-use assets instead of operating lease expenses with effect from 1 January 2019.

Profit for the period

As a result of the above factors, the Group recorded a profit of approximately S$0.7 million in 1H2019 (1H2018: loss of approximately S$1.3 million), which was mainly due to the increase in revenue and other income as mentioned above.

DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the Period to the shareholders of the Company (the "**Shareholders**") (1H2018: S$Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

The Group generally meets its working capital requirements from its internally generated funds and maintained a healthy financial position. Upon the Listing, the source of funds of the Group had been a combination of internally generated funds and net proceeds from the Listing.

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 monitors 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.

Use of proceeds from the Share Offer

The net proceeds from the Listing were approximately HK$82.6 million (equivalent to approximately S$14.1 million) (after deducting underwriting fees and Listing expenses), out of which approximately S$0.3 million has been utilised for the acquisition of three new lorries in 2018.

In line with that disclosed in the Company's prospectus dated 4 October 2017, our Directors presently intend that the net proceeds will be applied as follows:

(i) approximately 93.4% of the net proceeds, for partly financing the acquisition of an additional foreign worker dormitory at an estimated consideration of HK$162.0 million (equivalent to approximately S$28.0 million, being the mid-point of our estimated range of consideration for the proposed acquisition), in connection with our plan to (a) cater to the accommodation needs of the additional foreign employees to be hired under our business expansion plan; and (b) increase the scale of our dormitory service business; and

(ii) approximately 6.6% of the net proceeds, for financing the acquisition of 10 additional lorries for us to cope with the expected increase in transportation needs from a larger size of our manpower in accordance with our business expansion plan. As at 30 June 2019, three lorries have been acquired under finance leases.

The net proceeds which are not immediately applied to the above purposes were deposited into short-term interest-bearing deposits or treasury products with a licensed bank in Singapore.

As mentioned above, towards the end of the 2018, the Group rented an industrial property-cum-dormitory which has a right of first offer to purchase in the event the property is available for sale.

Borrowings and gearing ratio

As at 30 June 2019, the Group had an aggregate of current and non-current lease liabilities of approximately S$12.3 million as compared to approximately S$0.3 million as at 31 December 2018. The increase was due to the recognition of additional lease liabilities arising from the adoption of IFRS 16 which became effective on 1 January 2019 (Note 3).

The Group's gearing ratio as at 30 June 2019 was approximately 48.1% (as at 31 December 2018: approximately 1.4%). Gearing ratio is calculated by dividing total borrowings (comprising lease liabilities) by total equity as at the end of the respective year and multiplied by 100%.

As at 30 June 2019, the Group had unutilised banking facilities of approximately S$609,816 available for cash drawdown (as at 31 December 2018: S$609,816).

Cash and cash equivalents

As at 30 June 2019, the Group had cash and cash equivalents of approximately S$21.1 million, of which approximately 15.6% was denominated in S$ and approximately 84.4% was denominated in HK$ which were placed in major licensed banks in Singapore and Hong Kong, respectively. Cash and cash equivalents denominated in United States dollars ("**US$**") were immaterial.

Foreign exchange exposure

The Group transacts mainly in S$, which is the functional currency of all the entities in the Group.

However, the Group retains a large portion of the proceeds from the Share Offer in HK$ which contributed to an unrealised foreign exchange loss of approximately S$0.14 million as HK$ weakened against S$ in 1H2019.

Charges on the Group's assets and contingent liabilities

As at 30 June 2019, certain lease liabilities were secured by the charge over leased assets with an aggregate net book value of approximately S$0.52 million (as at 31 December 2018: S$0.36 million).

The Group did not have any material contingent liabilities as at 30 June 2019.

Capital expenditures and capital commitments

The Group's capital expenditures principally consisted of expenditures on renovation of a newly rented industrial property-cum-dormitory, motor vehicles, computer and equipment, furniture and fittings. The Group recorded capital expenditures for the purchases of property, plant and equipment and additions to investment property in the amounts of approximately S$0.24 million and S$0.19 million for 1H2019 and 1H2018, respectively.

The Group did not have any capital commitments as at 30 June 2019.

Significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures

There were no material acquisitions and disposal of subsidiaries, associates and joint ventures for 1H2019.

During the Period, the Group disposed a portion of its investment in quoted equity shares. The proceeds from the disposal were approximately S$1.5 million.

Off-balance sheet transactions

As at 30 June 2019, the Group did not enter into any material off-balance sheet transaction.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2019, the Group had 1,846 employees (as at 31 December 2018: 1,720), including foreign workers.

The Group determines employee salaries based on employee's qualifications, position and seniority. In order to attract and retain valuable employees, the Group reviews the performance of our employees, which will be taken into account in annual salary review and promotion appraisal. The Group has also adopted a sales incentive scheme, pursuant to which our sales managers are entitled to sales commission based on the number of hours of deployment in respect of any manpower outsourcing contracts obtained by them from customers.

The Group incurred workers and staff costs (including the Directors and chief executive's remuneration, and other staff's salaries, wages and other benefits) of approximately S$12.0 million and S$11.6 million for 1H2019 and 1H2018 respectively.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest rate risk

The Group is exposed to cash flow interest rate risk on the variable rates of interest earned on the bank balances. The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance lease obligations.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

Foreign currency risk

The Group has certain bank balances, financial assets measured at fair value through profit or loss, trade receivables and payables denominated in US$ and HK$ other than the functional currency of respective group entities, which expose the Group to foreign currency risk.

The Group manages the risk by closely monitoring the movement of the foreign currency rate.

Credit risk

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out a search on the credit risk of the customer, assesses the customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group recognises a loss allowance for expected credit losses ("**ECL**") on trade and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Fair value risk

The Group is exposed to fair value risk arising from financial assets and financial liabilities that are measured at fair value on a recurring and non-recurring basis.

Equity price risk

The Group is exposed to equity risks arising from equity instruments designated at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 June 2019, none of the directors (the "**Directors**") of Kakiko Group Limited (the "**Company**") nor the chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2019, so far as is known to the Directors, the following persons and entity, other than the Directors and the chief executive of the Company, had interests or short positions in the shares or underlying shares as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Long position in the shares of HK$0.01 each of the Company ("Shares")

Name of Shareholder(s)	Capacity/ Nature of interest	Number of Shares interested or held	Approximate percentage of the Company's issued Shares
Full Fortune	Beneficial owner	632,500,000	51.42%
Mr. Chen Guobao ("**Mr. Chen**") (Note)	Interest in controlled corporation	632,500,000	51.42%
Ms. Jiang Xiahong (Note)	Interest of spouse	632,500,000	51.42%

Note:

The entire issued share capital of Full Fortune is beneficially owned by Mr. Chen. Ms. Jiang Xiahong is the spouse of Mr. Chen and is therefore deemed to be interested in all the Shares held by Mr. Chen through his controlled corporation by virtue of the SFO.

Save as disclosed above, as at 30 June 2019, so far as is known by or otherwise notified to the Directors, no other persons or entity (other than the Directors or the chief executive of the Company) had interests and short positions in the shares and underlying shares as required to be recorded in the register to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has not adopted any share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation" above:

(a) at no time during the Period was the Company, any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors or their respective associates (as defined in the Listing Rules) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate; and

(b) none of the Directors, or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the Period.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules on the Stock Exchange, the profiles of the Directors of the Company have been updated as follows:

Executive Directors

Mr. Chen Guobao ("**Mr. Chen**"), aged 44, was appointed as the chairman of the board (the "**Board**") of Directors of the Company, an executive Director, and the chairman of the nomination committee of the Company on 19 July 2019.

Mr. Chen has approximately 20 years of experience in the real estate and construction industry, particularly in operation and strategic management. Mr. Chen completed his undergraduate studies in economic management at the Army Officer Academy of People's Liberal Army of China (中國人民解放軍南京炮兵學院) in June 2012.

Mr. Chen is the chairman of the board of directors of Shanghai Jinhai Corporate Development Group Company Limited (上海今海企業發展(集團)有限公司), a company founded by him in 2002 and principally engages in real estate development, such as construction of commercial plaza and residential buildings, and property management, including dormitories and commercial plaza. He has also acted as the chairman of the board of directors of each of Shanghai Guobao Property Company Limited (上海國寶置業有限公司) since March 2006 and Shanghai Laiyada Property Development Company Limited (上海來亞達置業發展有限公司) since March 2011 whose principal businesses also include real estate development and property management. His responsibilities include, amongst others, overseeing the progress of development and construction projects and liaising with construction contractors on various aspects, including manpower and resources allocation.

Mr. Chen is currently the executive deputy chairman (執行副會長) of Ningbo Chamber of Commerce in Shanghai (上海市寧波商會). From September 2015 to October 2017, he was the non-executive director of Vision Fame International Holding Limited (stock code: 1315), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Wang Zhenfei ("**Mr. Wang**"), aged 38, was appointed as the chief executive officer of the Company, an executive Director, and a member of the remuneration committee of the Company on 19 July 2019.

Mr. Wang completed his undergraduate studies in business management (online distance learning course) at the Southwest University of Science and Technology (西南科技大學) in January 2007.

Mr. Wang has approximately 8 years of experience in the banking industry and 4 years of experience in real estate development. He worked at the Shanghai Branch of Huaxia Bank (華夏銀行上海分行) from November 2007 to October 2015. Mr. Wang is the chief executive officer of Shanghai Jinhai Corporate Development Group Company Limited (上海今海企業發展(集團)有限公司) since October 2015, a company founded by Mr. Chen in 2002 and principally engaged in the real estate development and property management.

Non-executive Directors

Mr. Yang Fu Kang ("**Mr. Yang**"), aged 73, was appointed as the deputy chairman of the Board, a non-executive Director and a member of the audit committee of the Company on 19 July 2019.

Mr. Yang has over 30 years of experience in the manufacturing industry. He founded and has been the chairman of the board and a general manager of Shanghai Kang Long Da Industry Co., Ltd. (上海康隆達實業有限公司) since 1988 and has been responsible for the overall strategic, operations and financial management of the company. Mr. Yang is also the vice-chairman of the board and an executive director of Jiangsu Jonnyma New Materials Co., LTD. (江蘇鏘尼瑪新材料股份有限公司) since September 2011.

Mr. Li Yunping ("**Mr. Li**"), aged 65, was appointed as a non-executive Director and a member of the nomination committee of the Company on 19 July 2019.

Mr. Li had approximately 35 years of experience in the banking industry. Mr. Li held various positions in Ningbo Beilun Rural Commercial Bank Company Limited (寧波北侖農村商業銀行股份有限公司) from May 1979 to January 2014. From May 1981 to September 1986, Mr. Li was a supervisor at Beilun Lianshe Jiangnan Credit Union (北侖聯社江南信用社) and from September 1986 to February 2000, Mr. Li was a supervisor at Beilun Lianshe Xiaogang Credit Union (北侖聯社小港信用社). His last position at Ninbo Beilun Rural Commercial Bank Company Limited (寧波北侖農村商業銀行股份有限公司) was a senior economist from October 1995 until Mr. Li's retirement in January 2014.

Mr. Jiang Jiangyu ("**Mr. Jiang**"), aged 37, was appointed as a non-executive Director and a member of the remuneration committee of the Company on 19 July 2019.

Mr. Jiang obtained a bachelor's degree in administration at the Huazhong University of Science and Technology（華中科技大學）in June 2006. Mr. Jiang also graduated from the Shanghai Advanced Institute of Finance（上海高級金融學院）of the Shanghai Jiao Tong University（上海交通大學）with a master's degree in executive business administration in June 2018.

Mr. Jiang has over 9 years of experience in the information technology industry. From August 2010 to April 2012, Mr. Jiang worked at the sales department of Trend Micro (China) Incorporated（趨勢科技（中國）有限公司）. From June 2012 to February 2014, Mr. Jiang worked as a deputy director of sales of the Eastern China region of Kaspersky Technology Development (Beijing) Co., Ltd. (Shanghai branch)（卡巴斯基技術開發（北京）有限公司（上海分公司））. From July 2014 to December 2017, Mr. Jiang worked as a president of Shanghai Lucai Internet Technology Company Limited（上海路彩互聯網科技有限公司）. Since January 2018, Mr. Jiang has been a president of Shanghai Shunma Data Technology Company Limited（上海舜馬數據科技有限公司）.

Mr. Jiang served as the deputy secretary general of Shanghai Information Security Trade Association（上海市信息安全行業協會）from 2013 to 2016 and is currently the deputy chairman of Ningbo Chamber of Commerce in Shanghai（上海市寧波商會）. Since December 2018, Mr. Jiang has been a deputy chairman of the Information Technology Chamber of Commerce of Shanghai Federation of Industry and Commerce（上海市工商業聯合會信息產業商會）.

Mr. Wang Huasheng ("**Mr. Wang**"), aged 53, was appointed as a non-executive Director and a member of the audit committee of the Company on 19 July 2019.

Mr. Wang has approximately 15 years of experience in the real estate industry. He founded and has been acting as the chairman of the board of Shaanxi Yide Industrial Company Limited（陝西益德實業有限公司）since 2004. His main responsibilities include formulating medium to long term strategies for the development of the company as well as managing the daily operations of the board, including convening board meetings of the company. Mr. Wang is also involved in overseeing the financial operations and human resources related matters of the company. Mr. Wang has also founded and has been the chairman of the board of Shaanxi Northwest Light Industry Wholesale Market Management Company Limited（陝西西北輕工批發市場經營管理有限公司）since 2006. His main responsibilities include setting medium to long term strategies for the development of the company as well as managing the daily operations of the board, including key decision making of the company. Mr. Wang also involves in marketing activities of the company. In addition, he founded Shanghai Gexin Investment Development Company Limited（上海歌信投資發展有限公司）in 2007 and Shanghai Gexin Real Estate Company Limited（上海歌信置業有限公司）in 2009 and has been working as the chairman of the board of the companies since 2007 and 2009, respectively. Mr. Wang's main responsibilities at Shanghai Gexin Real Estate Company Limited（上海歌信置業有限公司）include setting medium to long term strategies for the development of the company as well as managing the daily operations of the board, including making key decisions of the company. Mr. Wang also oversees the financial operations as well as human resources and appraisal related matters of the company.

Independent non-executive Directors

Mr. Yan Jianjun ("**Mr. Yan**"), aged 53, was appointed as an independent non-executive Director, the chairman of the audit committee and the remuneration committee of the Company, and a member of the nomination committee of the Company on 19 July 2019.

Mr. Yan graduated from Shanghai University of Engineering Science (上海工程技術大學) with a bachelor's degree in electrical engineering specialized in automation control in November 1988. Mr. Yan completed CEIBS' Executive MBA Programme (在職高層管理人員工商管理碩士課程) and was awarded a master's degree in Business and Administration from China Europe International Business School (中歐國際工商學院) in April 2003.

Mr. Yan has over 24 years of experience in the information technology industry. From January 1995 to January 1999, Mr. Yan was the chairman of the board of Shanghai Zhida Technology Industrial Company Limited (上海致達科技實業有限公司). Since January 1999, Mr. Yan has been the chairman of the board of Shanghai Zhida Technology Group Company Limited (上海致達科技集團有限公司).

Mr. Yan was the national representative of the 12th, 13th and 14th Shanghai Municipal People's Congress (上海市第十二屆、第十三屆及第十四屆人民代表大會). Mr. Yan was awarded the National Model Worker of 2005 (2005年度全國勞動模範) by the State Council of the People's Republic of China (中華人民共和國國務院) in April 2005 and was named as one of the Ten Outstanding Young Persons of Shanghai (上海十大傑出青年) at the 9th Ten Outstanding Young Persons of Shanghai (第九屆上海十大傑出青年) awards ceremony in May 2002. Mr. Yan was awarded the China's Outstanding Entrepreneur in Private Technology Companies of 2007 (2007年度中國優秀民營科技企業家) in 2007 and the Technology Innovation Entrepreneur Award (科技創新企業家獎) in December 2010 by the All-China Federation of Industry and Commerce (中華全國工商業聯合會). Mr. Yan was appointed as an arbitrator at the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) (上海國際經濟貿易仲裁委員會(上海國際仲裁中心)) for a term of 3 years from May 2018.

Mr. Fan Yimin ("**Mr. Fan**"), aged 36, was appointed as an independent non-executive Director and a member of the audit committee, the remuneration committee and the nomination committee of the Company on 19 July 2019.

Mr. Fan obtained a bachelor's degree in finance at Donghua University (東華大學) in July 2005. Mr. Fan has over 13 years of experience in the banking and finance industry. From July 2005 to May 2012, Mr. Fan worked at the Shanghai branch of Bank of China Limited (中國銀行股份有限公司上海市分行). He worked at Shanghai Stem Cell Technology Company Limited (上海市幹細胞技術有限公司) from November 2012 to July 2015. From April 2016 to December 2017, he worked at the Shanghai Zhengming Modern Logistics Company Limited (上海鄭明現代物流有限公司). Since January 2018, he worked as an assistant to the general manager in the corporate division of KEB Hana Bank (China) Company Limited, Shanghai Branch (韓亞銀行(中國)有限公司上海分行).

Mr. Kuah Ann Thia resigned as executive Director, the chairman of the Board and the chief executive officer of the Company with effect from 19 July 2019.

Ms. Dolly Hwa Ai Kim (also known as Dolly Ke Aijin) resigned as executive Director with effect from 19 July 2019.

Mr. Lu Yong resigned as non-executive Director with effect from 19 July 2019.

Mr. Ong Shen Chieh (also known as Mr. Wang Shengjie) resigned as independent non-executive Director, the chairman of the remuneration committee of the Company and the members of the audit committee and nomination committee of the Company with effect from 19 July 2019.

Mr. Lam Raymond Shiu Cheung resigned as independent non-executive Director, the chairman of the nomination committee of the Company and the members of the audit committee and remuneration committee of the company with effect from 19 July 2019.

Mr. Lau Kwok Fai Patrick resigned as chairman of the audit committee of the Company and was appointed as member of the audit committee of the Company with effect from 19 July 2019.

SIGNIFICANT EVENTS AFTER THE PERIOD

Save as disclosed in this report, the Directors confirm that no significant event that affected the Group has occurred after 30 June 2019 and up to the date of this report.

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

During the six months ended 30 June 2019 (the "**Period**"), neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code as its code of conduct governing Directors' securities transactions. In response to a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Model Code and its code of conduct regarding directors' securities transactions during the Period. The Model Code also applies to other specified senior management of the Company and its subsidiaries (the "**Group**") in respect of their dealings in the Company's securities.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders (as defined under the Listing Rules) of the Company or their respective close associates (as defined under the Listing Rules) had interests in any business apart from the Group's business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group and any other conflicts of interest which any such person had or might have with the Group during the Period.

CHANGE OF AUTHORISED REPRESENTATIVE

Mr. Kuah Ann Thia resigned as the authorised representative of the Company under the Listing Rules and Mr. Wang Zhenfei, the executive Director, was appointed as the authorised representative of the Company under the Listing Rules with effect from 19 July 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period, the Company has applied the principles and adopted all code provisions, where applicable, of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**") as its own code of corporate governance.

The Company has complied with all applicable code provisions as set out in the CG Code during the Period save as disclosed below:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Period, Mr. Kuah Ann Thia ("**Mr. Kuah**") held both positions. Mr. Kuah has been managing the Group's business and overall financial and strategic planning since May 2006. This arrangement also helps the Company to execute business strategies more efficiently in the ordinary business activities. All the other Directors (including the non-executive Director (the "**NED**") and independent non-executive Directors (the "**INEDs**")) consider that the vesting of the roles of the chairman and the chief executive officer in Mr. Kuah is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. In addition, due to the fact that our NED and INEDs represent over half of the Board members, all the Directors (including the NED and INEDs) consider that there is a balance of power and authority such that no one individual has unfettered power of decision.

Subsequent to the close of the Offer to comply with Code Provision A.2.1, on 19 July 2019, Mr. Chen Guobao was appointed as an executive Director and the chairman of the Board, and Mr. Wang Zhenfei was appointed as an executive Director and chief executive officer of the Company.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim results for the Period including the interim report and discussed with the management of the Company and is of the view that such financial information and report have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made with no disagreement by the audit committee of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, 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 Period.

On behalf of the Board
Kakiko Group Limited
Chen Guobao
Chairman of the Board and
Executive Director

27 August 2019