FOREBASE INTERNATIONAL HOLDINGS LIMITED
申基國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2310)

2013 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of Forebase International Holdings Limited (the "**Company**") announces that the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2013 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

		Six months ended 30 June	
	Notes	**2013** ***HK$'000*** **(Unaudited)**	2012 *HK$'000* (Unaudited) (Restated)
Continuing operations			
Turnover	*3*	**136,373**	174,654
Cost of sales		**(137,436)**	(167,871)
Gross (loss) profit		**(1,063)**	6,783
Other income and gains		**4,123**	4,002
Selling and distribution expenses		**(4,080)**	(6,406)
Administrative expenses		**(10,880)**	(13,664)
Research and development expenses		**(1,693)**	(9,972)
Other operating expenses		**(5,066)**	(4,111)
Finance costs		**(396)**	–
Loss before taxation	*5*	**(19,055)**	(23,368)
Income tax expense	*6*	**(916)**	(1,467)
Loss for the period from continuing operations		**(19,971)**	(24,835)
Discontinued operations	*7*		
Profit for the period from discontinued operations		**–**	517
Loss for the period		**(19,971)**	(24,318)

	Notes	Six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited) (Restated)
(Loss) profit for the period attributable to owners of the Company:			
– from continuing operations		**(19,971)**	(24,835)
– from discontinued operations		**–**	1,224
		(19,971)	(23,611)
Loss for the period attributable to non-controlling interests:			
– from continuing operations		**–**	–
– from discontinued operations		**–**	(707)
		–	(707)
Loss per share	*9*		
From continuing and discontinued operations			
– Basic and diluted (HK cents)		**(6.17)**	(7.29)
From continuing operations			
– Basic and diluted (HK cents)		**(6.17)**	(7.67)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(19,971)**	(24,318)
Other comprehensive income (expense):		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**4,048**	(4,063)
	4,048	(4,063)
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of land and buildings held for own use	–	80
Deferred tax relating to revaluation of land and buildings held for own use	–	(13)
	–	67
Other comprehensive income (expense) for the period, net of tax	**4,048**	(3,996)
Total comprehensive expense for the period	**(15,923)**	(28,314)
Total comprehensive expense for the period attributable to:		
Owners of the Company	**(15,923)**	(27,607)
Non-controlling interests	–	(707)
	(15,923)	(28,314)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**23,845**	23,112
Investment properties	*11*	**57,460**	56,292
Club memberships		**600**	600
Deposits for acquisition of property, plant and equipment		–	106
		81,905	80,110
Current assets			
Inventories		**26,678**	26,384
Trade and other receivables	*12*	**61,494**	65,478
Pledged bank deposits		**16,502**	11,009
Bank balances and cash		**66,463**	99,241
		171,137	202,112
Current liabilities			
Trade and other payables	*13*	**52,875**	74,513
Tax payables		**10,413**	10,757
Obligation under a finance lease		**129**	–
Bank borrowings	*14*	**18,225**	19,548
		81,642	104,818
Net current assets		**89,495**	97,294
Total assets less current liabilities		**171,400**	177,404
Capital and reserves			
Share capital	*15*	**32,390**	32,390
Reserves		**118,457**	134,380
		150,847	166,770
Non-current liabilities			
Amount due to a director		**1,298**	–
Amount due to ultimate holding company		**7,929**	–
Provision for long service payment		**451**	451
Obligation under a finance lease		**511**	–
Deferred tax liabilities		**10,364**	10,183
		20,553	10,634
		171,400	177,404

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations issued by the HKICPA:

Amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**")	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Hong Kong (International Financial Reporting Interpretation Committee) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 "Interim Financial Reporting" as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

The fair value of investment properties is based on market evidence of recent transaction prices for similar properties from the respective locations and types of properties.

Except as described above, the application of the new or revised standards, amendments and interpretations in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosure set out in these condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of electronic components and properties investment. The Group's operations are divided into three reportable segments: composite components segment, unit electronic components segment and properties investment segment. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The chief operating decision maker assesses the performance of the operating segment primarily based on segment profit. The Group had only two reportable segments for the six months ended 30 June 2012: composite components segment and unit electronic components segment. Subsequent to the completion of the Group Reorganisation (defined in Note 7), the chief operating decision maker considers the performance of the properties investment as a new reporting segment for the year ended 31 December 2012 based on its relative significance in terms of turnover, profit and assets value attributable to the Group. So, the Group's performance of properties investment was reclassified from the unallocated segment to properties investment segment.

On 11 December 2012, the Group paid a special dividend by way of Distribution in Specie (defined in Note 7) of shares in a then subsidiary, Jay Star Holdings Limited (**"Privateco" or "Jay Star"**), of which its subsidiaries carried out the composite components and unit electronic components operations. This resulted in the Group disposing of a separate major geographical area of operations in Korea, as the result from composite components and unit electronic components operations in Korea of the Group for the six months ended 30 June 2012 are only contributed by Jay Star and its subsidiaries (collectively known as the "**Privateco Group**"). Details of the discontinued operations are set out in Note 7.

Turnover represents the sales value of goods supplied to customers less goods returned and trade discounts and rental income under operating leases.

The following is an analysis of the Group's turnover and results by reportable and operating segments:

For the six months ended 30 June 2013

	Continuing operations				Discontinued operations	Eliminations	Total
	Composite components	Unit electronic components	Properties investment	Total			
	HK$'000 (Unaudited)	*HK$'000* (Unaudited)	*HK$'000* (Unaudited)	*HK$'000* (Unaudited)	*HK$'000* (Unaudited)	*HK$'000* (Unaudited)	*HK$'000* (Unaudited)
Turnover	75,177	60,357	839	136,373	–	–	136,373
Segment (loss) profit	(8,190)	(7,441)	3,805	(11,826)	–	–	(11,826)
Unallocated operating expenses, net				(6,833)	–		(6,833)
Finance costs				(396)	–		(396)
Loss before taxation				(19,055)	–		(19,055)
Taxation				(916)	–		(916)
Loss for the period				(19,971)	–		(19,971)

For the six months ended 30 June 2012

	Continuing operations				Discontinued operations	Eliminations	Total
	Composite components	Unit electronic components	Properties investment	Total			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Turnover	91,889	81,933	832	174,654	87,606	(28,809)	233,451
Segment (loss) profit	(13,614)	(9,241)	1,521	(21,334)	(1,230)	–	(22,564)
Unallocated operating (expenses) income, net				(2,034)	1,925		(109)
(Loss) profit before taxation				(23,368)	695		(22,673)
Taxation				(1,467)	(178)		(1,645)
(Loss) profit for the period				(24,835)	517		(24,318)

Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of part of other income (expenses) and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Composite components		**Unit electronic components**		**Properties investment**		**Total**	
	30 June 2013	31 December 2012	**30 June 2013**	31 December 2012	**30 June 2013**	31 December 2012	**30 June 2013**	31 December 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**53,838**	65,447	**42,536**	39,439	**57,480**	56,311	**153,854**	161,197
Unallocated assets								
– Bank balances and cash							**66,463**	99,241
– Pledged bank deposits							**16,502**	11,009
– Others							**16,223**	10,775
Consolidated assets							**253,042**	282,222
Segment liabilities	**21,211**	21,296	**17,030**	25,675	**52**	70	**38,293**	47,041
Unallocated liabilities								
– Bank borrowings							**18,225**	19,548
– Others							**45,677**	48,863
Consolidated liabilities							**102,195**	115,452

All assets are allocated to reportable segments other than bank balances and cash, pledged bank deposits, part of other receivables, and club memberships. Assets used jointly by reportable segments are allocated on the basis of the production capacity; and

All liabilities are allocated to reportable segments other than part of other payables, bank borrowings and deferred tax liabilities.

4. SEASONALITY OF OPERATIONS

The sales of Group are subject to seasonal fluctuations, with peak demand in the third quarter of the year.

5. LOSS BEFORE TAXATION

Loss before taxation from continuing operations have been arrived at after charging (crediting) the following items:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Allowance of inventories (included in cost of sales)	**899**	229
Cost of inventories recognised as an expense *	**137,228**	167,660
Depreciation of property, plant and equipment	**4,560**	4,273
Minimum lease payments under operating leases in respect of rented properties	**3,039**	1,649
Impairment loss recognised on trade receivables (included in other operating expenses)	**637**	435
Decrease in fair value of derivative financial liabilities	**–**	(293)
Net foreign exchange losses	**412**	638
Increase in fair value of investment properties	**(3,174)**	(900)
Gain on disposal of property, plant and equipment	**(50)**	(113)
Interest income	**(173)**	(110)
Rental income (Net of outgoings of approximately HK$208,000 (2012: approximately HK$211,000))	**(631)**	(621)
Reversal of impairment loss recognised on trade receivables (included in other income and gains)	**(225)**	(140)

* Cost of inventories recognised as an expense includes an aggregate amount of approximately HK$7,314,000 (six months ended 30 June 2012: approximately HK$5,137,000) relating to allowance of inventories, depreciation of property, plant and equipment, net foreign exchange losses and operating lease rentals in respect of land and buildings, which amounts are also included in the respective total amounts disclosed separately above.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Current tax		
PRC Corporate Income Tax		
Provision for the period	**757**	1,266
(Over) under-provision in prior years	**(22)**	1,528
	735	2,794
Deferred tax		
Charged (credited) for the period	**181**	(1,327)
	916	1,467

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2013 and 2012 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2013 and 2012.

Provision for the PRC Corporate Income Tax for its subsidiaries in the People's Republic of China (the "**PRC**") are calculated at 25% (2012: 25%) of estimated assessable profits for the six months ended 30 June 2013 and 2012.

In 2013, a subsidiary in the PRC reached an advance pricing arrangement with the Shenzhen Local Tax Bureau concerning its transactions with a subsidiary in Hong Kong covering the years from 2011 to 2013. During the process, the Shenzhen Local Tax Bureau demanded additional tax in respect of prior years transfer pricing adjustment. Under-provision of approximately HK$1,528,000 had been made for the six months ended 30 June 2012. The amount was fully settled in 2012.

7. DISCONTINUED OPERATIONS

On 27 September 2012, Mr. Yang Jai Sung ("**Mr. Yang**"), a then executive director of the Company, and Kwang Sung Electronics Co. Ltd. ("**Kwang Sung Korea**") (as vendors) and Ultra Harvest Limited ("**Ultra Harvest**") (as purchaser), entered into an agreement (the "**Share Sale Agreement**") (as amended and supplemented by the supplemental agreement dated 16 October 2012) relating to the sale and purchase of an aggregate of 174,082,000 ordinary shares of HK$0.10 in the issued share capital of the Company, at a price of HK$0.9263 per Share. As conditions precedent to completion of the Share Sale Agreement, the Company was required, among other things, to carry out a group reorganisation (the "**Group Reorganisation**"), to effect a distribution in specie of shares of Privateco, a then wholly-owned subsidiary of the Company (the "**Distribution In Specie**"). The transactions contemplated under the Share Sale Agreement were approved by the independent shareholders of the Company at an extraordinary general meeting held on 5 December 2012. Upon satisfaction of other conditions, completion of the Share Sale Agreement took place on 11 December 2012. Thereafter, the Group is principally engaged in the manufacturing and sale of electronic components to worldwide customers (except for those in the Korea and Japan).

The Distribution in Specie constituted a disposal of separate major line of geographical area of operations in Korea and there was no remaining operation in Korea. The businesses operated by the Privateco Group have been classified as discontinued operations.

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2012: nil). The directors of the Company do not recommend a payment of interim dividend (six months ended 30 June 2012: nil).

9. LOSS PER SHARE

From continuing operations

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK$19,971,000 (six months ended 30 June 2012: loss of approximately HK$24,835,000) and the weighted average number of ordinary shares of approximately 323,897,000 in issue during the six months ended 30 June 2013 (six months ended 30 June 2012: approximately 323,897,000).

There were no dilutive potential ordinary shares during the six months ended 30 June 2013 and 2012, therefore, diluted loss per share is the same as the basic loss per share.

From discontinued operations

Basic and diluted loss per share from discontinued operations is nil (six months ended 30 June 2012: earnings of approximately HK0.38 cents per share), based on the profit for the period from discontinued operations of nil (six months ended 30 June 2012: approximately HK$1,224,000).

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT

The Group's land and buildings held for own use were revalued as at 31 December 2012 at their open market values by reference to recent market evidence of transaction prices for similar properties in the same locations and conditions. The valuations were carried out by Roma Appraisals Limited ("**Roma Appraisals**"), an independent firm of professional surveyors not connected with the Group which has staff members of the Hong Kong Institute of Surveyors. The land and buildings held for own use were transferred to investment properties at fair value as at 31 December 2012.

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a cost of approximately HK$4,897,000 (six months ended 30 June 2012: approximately HK$5,145,000).

In addition, during the six months ended 30 June 2013, the Group disposed of certain fully depreciated property, plant and equipment with cash proceeds of approximately HK$50,000 (six months ended 30 June 2012: approximately HK$113,000), resulting in a gain on disposal of approximately HK$50,000 (six months ended 30 June 2012: approximately HK$113,000).

11. INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 30 June 2013 and 31 December 2012 at their open market values. The valuations as at 30 June 2013 and 31 December 2012 were carried out by Roma Appraisals. The valuations were arrived at by reference to the market evidence of transaction price for similar properties in the same locations and conditions. The resulting increase in fair value of approximately HK$3,174,000 (six months ended 30 June 2012: approximately HK$900,000) has been recognised directly in profit or loss for the six months ended 30 June 2013. In addition, the Group disposed of an investment property with cash proceeds of approximately HK$1,023,000 (six months ended 30 June 2012: nil).

Included in the balance was approximately HK$44,960,000 (At 31 December 2012: approximately HK$46,492,000) pledged to secure banking facilities granted to the Group.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2013 *HK$'000* **(Unaudited)**	At 31 December 2012 *HK$'000* (Audited)
Trade and bills receivables (net of impairment loss recognised on trade receivables)	**46,549**	55,285
Deposits, prepayments and other receivables	**14,945**	10,193
	61,494	65,478

The Group allows an average credit period of 30-90 days to its trade customers. The ageing analysis of the Group's trade and bills receivables, presented based on the invoice date, which approximated the respective revenue recognition date, net of impairment loss recognised on trade receivables, is as follows:

	At 30 June 2013 *HK$'000* **(Unaudited)**	At 31 December 2012 *HK$'000* (Audited)
0-90 days	**45,244**	52,961
91-180 days	**1,305**	2,103
181-365 days	**–**	221
	46,549	55,285

13. TRADE AND OTHER PAYABLES

	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
Trade payables	**38,241**	46,322
Accrued expenses and other payables	**14,634**	28,191
	52,875	74,513

The following is an ageing analysis of trade payables, presented based on the invoice date:

	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
0-90 days	**34,613**	41,978
91-180 days	**1,505**	2,709
181-365 days	**519**	95
over 365 days	**1,604**	1,540
	38,241	46,322

14. BANK BORROWINGS

The bank borrowings bear variable interest rates ranging from 3.87% to 6.78% (six months ended 30 June 2012: 2.23% to 4.16%) per annum with maturity date within one year.

Bank borrowings of KRW2,300,000,000 (equivalent to approximately HK$15,525,000) (At 31 December 2012: KRW2,300,000,000, equivalent to approximately HK$16,652,000) were secured by the Group's investment properties in Korea of approximately HK$20,103,000 (At 31 December 2012: approximately HK$22,073,000).

No repayment of bank borrowings was made during the six months ended 30 June 2013 and 2012.

15. CAPITAL AND RESERVES

	Attributable to owners of the Company										
	Share capital	Share premium	Other reserve *(Note (a))*	Contribution reserve *(Note (b))*	Properties revaluation reserve	Statutory reserve *(Note (c))*	Exchange reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2012											
At 1 January 2012	32,390	58,566	301	8,478	23,142	10,215	(7,321)	192,706	318,477	2,258	320,735
Loss for the period	–	–	–	–	–	–	–	(23,611)	(23,611)	(707)	(24,318)
Other comprehensive income (expense) for the period	–	–	–	–	67	–	(4,063)	–	(3,996)	–	(3,996)
At 30 June 2012 (unaudited)	32,390	58,566	301	8,478	23,209	10,215	(11,384)	169,095	290,870	1,551	292,421
For the six months ended 30 June 2013											
At 1 January 2013 (audited)	32,390	58,566	–	8,478	23,142	10,215	(6,686)	40,665	166,770	–	166,770
Loss for the period	–	–	–	–	–	–	–	(19,971)	(19,971)	–	(19,971)
Other comprehensive income for the period	–	–	–	–	–	–	4,048	–	4,048	–	4,048
Disposal of investment property	–	–	–	–	(294)	–	–	294	–	–	–
Deferred tax released upon disposal of an investment property	–	–	–	–	27	–	–	(27)	–	–	–
At 30 June 2013 (unaudited)	32,390	58,566	–	8,478	22,875	10,215	(2,638)	20,961	150,847	–	150,847

(a) Other reserve

Other reserve represents the acquisition/disposal of partial equity interests of subsidiaries with non-controlling shareholders without changes in control.

(b) Contribution reserve

Contribution reserve represents contributions from shareholders for indemnity liabilities payable for periods prior to 30 June 2003.

(c) Statutory reserve

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

16. EVENTS AFTER THE REPORTING PERIOD

On 15 August 2013, the Group entered into a letter of intent with a prospective seller with the intention of acquiring substantially all the assets of a resort in Victoria, British Columbia, Canada (the "**Subject Assets**"), details of which are set out in the Company's announcement dated 15 August 2013. Subsequently, on 28 August 2013, the Group and the prospective seller entered into an agreement whereby the Group conditionally agreed to purchase and the seller conditionally agreed to dispose of the Subject Assets, details of which are set out in the Company's announcement dated 29 August 2013.

Saved as disclosed above, the Group did not have any other significant events which took place subsequent to the reporting period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

FINANCIAL REVIEW

Because of the completion of a group reorganisation to effect a distribution in specie of shares of a then wholly-owned subsidiary of the Company on 11 December 2012, the Group was no longer engaged in the manufacture and sale of electronic components to customers in Korea and Japan for the six months ended 30 June 2013. Accordingly, the Group's turnover decreased by approximately 21.9% to approximately HK$136,373,000, as compared with the corresponding period last year.

Due to the signs of slowing down in China's growth momentum, and in particular, due to the decrease in consumer demand for traditional consumer electronics markets, the Group had experienced pressure in pricing of its electronic components, and as a result, recorded a gross loss of approximately HK$1,063,000 as compared with the gross profit of approximately HK$6,783,000 for the corresponding period last year.

Other revenue for the six months ended 30 June 2013 slightly increased by approximately 3.0% to approximately HK$4,123,000, mainly comprising increase in fair value of investment properties of approximately HK$3,174,000, as compared with the corresponding period last year. Operating expenses for the six months ended 30 June 2013 significantly decreased by approximately 36.4% to approximately HK$21,719,000, which mainly due to discontinued operation in Korea during the period under review.

Income tax expenses decreased by approximately 37.6% from approximately HK$1,467,000 to approximately HK$916,000 for the six months ended 30 June 2013, as compared with the corresponding period last year. The decrease was mainly due to net effect of decrease in the PRC Corporate Income Tax and no deferred tax credit during the period under review.

As a result of the foregoing, the Group reported a loss after taxation attributable to owners of the Company of approximately HK$19,971,000 for the six months ended 30 June 2013, as compared to approximately HK$23,611,000 recorded in the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2013, the Group's net current assets amounted to approximately HK$89,495,000.

Current ratio, being the ratio of current assets to current liabilities, increased from 1.93 as at 31 December 2012 to 2.10 as at 30 June 2013. The increase in current ratio mainly reflected the percentage decrease in current liabilities was higher than the percentage decrease in current assets. As at 30 June 2013, the gearing ratio, being the ratio of bank borrowings divided by total equity, amounted to 0.12 and maintained at the same level as at 31 December 2012.

As at 30 June 2013, the Group's bank balances and cash amounted to approximately HK$66,463,000.

Charge on Assets

As at 30 June 2013, bank deposits of approximately HK$16,502,000 and the investment properties with carrying value of approximately HK$44,960,000 were pledged to secure banking facilities granted to the Group.

Capital Structure

For the six months ended 30 June 2013, the Group primarily financed its liquidity requirements through a combination of cash flow generated from operations and bank borrowing.

Capital Commitment and Contingent Liabilities

As at 30 June 2013, the Group had approximately HK$30,000 of capital commitments in respect of acquisition of property, plant and equipment and approximately HK$21,115,000 as operating lease commitments. As at 30 June 2013, the Group did not have any significant contingent liabilities.

Staff and Remuneration Policies

As at 30 June 2013, the Group had approximately 740 employees, including 709 based in the PRC and 31 based in Hong Kong. Staff costs from the continuing operations for the six months ended 30 June 2013 were approximately HK$28,763,000, representing a decrease of approximately HK$16,191,000 as compared to approximately HK$44,954,000 in the corresponding period last year.

Employee remuneration is determined in accordance with prevailing industry practice and employees' performance and experience. Discretionary bonuses are awarded to employees with outstanding performance with reference to the performance of the Group. Employees are also entitled to other staff benefits including medical insurance and mandatory provident fund.

Foreign Exchange Fluctuation and Hedge

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to Renminbi, United States Dollars and Korean Won. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investment in foreign operations. During the six months ended 30 June 2013, the Group did not enter into any forward foreign currency contracts.

Investment Activities

The Group did not make any material acquisition or disposal of any of its subsidiaries or associated company for the six months ended 30 June 2013.

BUSINESS REVIEW

For the six months ended 30 June 2013, turnover from composite components business decreased by approximately 18.2% to approximately HK$75,177,000, compared with approximately HK$91,889,000 for the corresponding period last year. The decrease was mainly due to decrease in sales of tuner modules for home audios despite recovery in sales of tuner modules and digital audio broadcasting ("**DAB**") for car audios. The turnover amount represented approximately 55.1% of the Group's total turnover.

Turnover from unit electronic components business amounted to approximately HK$60,357,000, representing a decrease of approximately 26.3% as compared to approximately HK$81,933,000 over the corresponding period last year. The decrease primarily reflected decrease in sales of transformers and coils due to sluggish demand from TV market during the period. The turnover amount represented approximately 44.3% of the Group's total turnover.

Turnover from properties investment remained stable. Turnover for the six months ended 30 June 2013 amounted to approximately HK$839,000 as compared with approximately HK$832,000 for the same period last year. The amount represented approximately 0.6% of the Group's total turnover.

PROSPECT

Looking forward, the Group anticipates that the traditional consumer electronics market is still stagnant. The demand for electronic components remained particularly challenging in the second half year with no signs yet of recovery. The rising trend in costs of both labour and materials is expected to continue to place pressure on the costs of sales, and thus on profit margin. The Group plans to take proactive measures to weaken continuing impacts from this tough condition.

As to developing new income stream, the Group has adopted appropriate business strategy to inspire a turnaround for the Group by exploring any investment opportunities to acquire assets or business from other parties. The Group expects that its turnaround strategy will eventually help deliver competitive returns to the Company's shareholders in the long run.

INVESTOR RELATIONS

The Group values its relationship with investors, and, guided by its management philosophy, is committed to maintaining transparency of operational performance and strategic development plans. The management communicates continually with analysts and institutional investors and provides them with up-to-date comprehensive information regarding the Company's development. The Company practices timely dissemination of information and makes sure its website www.kse.com.hk contains the most current information, including annual reports, interim reports, announcements, monthly returns and press releases, and is updated in a timely manner to maintain transparency.

CORPORATE SOCIAL RESPONSIBILITY

As a caring corporation, the Group has been active in fulfilling its social responsibility to the interest of all stakeholders and the society. The Group's corporate social responsibility efforts fall into the following categories:

Marketplace

In the interests of the Company's shareholders, the Group has been adhering to the business objectives of contributing to the sustainable development of the electronics industry and improving consumer electronics to heighten product efficiency and deliver the best end-user experience. To these ends, the Group invests substantially in research and development and internal quality control to ensure the continuous delivery of quality and reliable products to customers. The Group complies with the requirements of ISO/TS 16949:2002 on design and manufacture of its car tuners and ISO 9001:2000 on production and servicing of electronic products. These products would include transformers, intermediate frequency transformers, antennas, filters, coils, coil inductors, electrical meters, dielectric filters, tuners, tuner modules, wireless modules, switching mode power supplies, digital tuner modules for DAB and digital amplifiers. The Group also frequently received customers' performance certificates that signified recognition of the Group's efforts and appreciation of product quality.

Employee Health and Welfare

Caring about the health and work safety of its staff, the Group has appropriate safety systems and measures in place to minimise staff exposure to potentially hazardous materials or adverse work conditions. As an equal opportunity employer, the Group strives to provide a fair work environment to employees and does not tolerate any form of harassment or discrimination in respect of employment and occupation. To retain the best talent, the Group ensures its employee remuneration packages are competitive and that rewards are linked with performance excellence.

The Group also encourages employees to take external job-related courses and sponsors such initiative when appropriate. As part of the orientation procedure, all new employees are required to go through programmes on topics including internal control and information protection, ISO and quality management systems.

The Group also arranges regular health checks for all employees to ensure their health and therefore maintain their productivity at work. In case of sickness, employees are protected by comprehensive group medical insurance policies. Retirement and comprehensive pension funds are also provided to employees in accordance to relevant legislation.

Environment and Community

The Company complies with the requirements of ISO 14001:2004 on environmental management systems.

The Group also continues to make sure that its products comply with the European Union's environmental protection guidelines including the Directive on the Restriction of the use of certain Hazardous Substances in Electrical Equipment ("**RoHS**") for manufacturing activities. All products manufactured by the Group are lead-free and RoHS compliant.

The Group also encourages employees to save energy and resources. To cut down on paper consumption, the Group encourages double-sided printing and printing when necessary only. The Group also relays energy-saving tips to staff members through a daily learning program. In a further commitment to society during the period under review, the Group has also made donations to charities to help the needy.

OTHER INFORMATION

Corporate Governance Code

The Company is committed to achieving a high standard of practices of corporate governance so as to ensure the protection of shareholders' interests with better transparency. The Company has complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2013, except for the following:

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal Board members, should attend general meetings of the Company. During the six months ended 30 June 2013, certain independent non-executive directors were unable to attend the extraordinary general meeting held on 25 February 2013 and the annual general meeting (the "**AGM**") of the Company held on 30 May 2013 as they were out of town or had other engagements.

Code Provision E.1.2 stipulates that the Chairman of the Board should attend the AGM. Due to other business engagements, the Chairman of the Board was unable to attend the AGM.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of practice for carrying out securities transactions by the directors of the Company. The Company, having made specific enquiries to all directors of the Company, confirmed that throughout the six months ended 30 June 2013, all directors have complied with the relevant provisions as set out in the Model Code. The relevant employees who, because of their office in the Company, are likely to be in possession of unpublished inside information, have been requested to comply with the relevant provisions of the Model Code.

Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, sale or redemption of the Company's listed securities by the Company nor any of its subsidiaries during the six months ended 30 June 2013.

Review of Accounts

The audit committee of the Board (the "**Audit Committee**") has reviewed and discussed with the management and the external auditors of the Company the accounting principles and practices, financial reporting process, internal control matters, and the unaudited interim financial results for the six months ended 30 June 2013. The Audit Committee consists of four independent non-executive directors of which at least one of them has appropriate professional qualifications and experience in financial matters.

Publication of the Interim Results Announcement and Interim Report

The interim results announcement has been published on the websites of the Company at www.kse.com.hk and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The relevant interim report is expected to be despatched to the shareholders of the Company and made available on the above websites in mid September 2013.

By order of the Board
Forebase International Holdings Limited
SHEN YONG
Chairman

Hong Kong, 30 August 2013

As at the date hereof, the Board comprises seven executive directors Mr. SHEN Yong, Mr. Ronald Lew PODLAS, Mr. SHEN Ke, Mr. LI Zhi, Mr. XU Li Jian, Mr. LEUNG Kin Pang and Mr. HONG Sang Joon; and four independent non-executive directors Mr. YU Lei, Dr. JIANG Ying, Ms. ZHANG Cui Lan and Mr. Ernst Rudolf ZIMMERMANN.