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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2310)

2015 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 2015 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
			(Restated)
Revenue	*3*	**190,530**	153,998
Cost of sales		**(190,571)**	(156,603)
Gross loss		**(41)**	(2,605)
Other income and gains		**4,918**	718
Selling and distribution expenses		**(5,462)**	(4,385)
Administrative expenses		**(19,689)**	(17,980)
Research and development expenses		**(2,376)**	(4,663)
Other operating expenses		**(5,634)**	(11,117)
Finance costs		**(9,529)**	(8,412)
Loss before tax		**(37,813)**	(48,444)
Income tax (expense) credit	*5*	**(1,085)**	3,652
Loss for the period	*6*	**(38,898)**	(44,792)

	Note	Six months ended 30 June	
		2015	2014
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
			(Restated)
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Release of deferred tax upon disposal of investment properties		–	1,962
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**(2,899)**	87
Other comprehensive income for the period		**(2,899)**	2,049
Total comprehensive expense for the period		**(41,797)**	(42,743)
Loss per share	*8*		
– Basic and diluted (HK cents)		**(11.86)**	(13.83)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Notes	**30 June 2015 *HK$'000* (Unaudited)**	31 December 2014 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*9*	**124,639**	120,764
Club memberships		**600**	600
Deposits for purchase of property, plant and equipment		**1,869**	347
		127,108	121,711
Current assets			
Inventories		**25,772**	29,579
Properties under development	*10*	**80,034**	66,950
Trade and other receivables	*11*	**140,661**	104,301
Restricted bank deposits		**–**	12,940
Short-term bank deposit with original maturity more than three months		**1,000**	1,000
Bank balances and cash		**30,328**	31,921
		277,795	246,691
A disposal group classified as held for sale		**–**	86
		277,795	246,777
Current liabilities			
Trade and other payables	*12*	**157,793**	104,470
Amount due to related companies	*13*	**76,220**	61,593
Tax payables		**2,457**	2,440
Obligation under a finance lease		**95**	140
		236,565	168,643
Net current assets		**41,230**	78,134
Total assets less current liabilities		**168,338**	199,845

	Notes	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Capital and reserves			
Share capital	*15*	**99,076**	99,076
Reserves		**(119,292)**	(77,988)
Equity attributable to owners of the Company and total equity		**(20,216)**	21,088
Non-current liabilities			
Deferred tax liabilities		**212**	211
Obligation under a finance lease		**279**	304
Amount due to ultimate holding company	*14*	**33,538**	41,998
Amount due to a director	*14*	**13,740**	15,397
Secured loan	*16*	**100,785**	100,847
Bonds	*17*	**40,000**	20,000
		188,554	178,757
		168,338	199,845

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 ("**HKAS 34**") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with 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**").

The financial statements have been prepared on a going concern basis notwithstanding that the Group had capital deficiency of approximately HK$20,216,000 as at 30 June 2015. As the ultimate holding company has undertaken to provide adequate funds to enable the Company to meet in full its financial obligations and has confirmed not to demand for repayment for the balance due from the Company within the next twelve months from the end of the reporting period, the directors of the Company are satisfied that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis. The condensed consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at 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 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new Interpretation ("**Int**") and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the sales of goods to customers less goods returned and trade discounts, rental income under operating leases and service income from hotel operation. During the six months ended 30 June 2015, the Group has a new reportable and operating segment, properties development upon the completion of the acquisition of Best Dollar Group on 18 September 2014.

The Group is principally engaged in the manufacture and sales of electronic components, properties investment, hotel operation and properties development. The Group's reportable and operating segments, based on information reported to the chief executive officer, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on goods or services provided are as follows:

(1) Composite components segment

Sales and manufacture of composite components for electronic appliances and communication equipment.

(2) Unit electronic components segment

Sales and manufacture of unit electronic components for electronic appliances and communication equipment.

(3) Properties investment segment

Leasing office premises to generate rental income.

(4) Hotel operation segment

Operation of a resort in Canada.

(5) Properties development segment

Properties development in the People's Republic of China (the "**PRC**").

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

(a) Segment revenue and results

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

Six months ended 30 June 2015

	Composite components *HK$'000* (Unaudited)	**Unit electronic components** *HK$'000* (Unaudited)	**Properties investment** *HK$'000* (Unaudited)	**Hotel operation** *HK$'000* (Unaudited)	**Properties development** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
Revenue	**92,198**	**78,485**	**–**	**19,847**	**–**	**190,530**
Segment (loss) profit	**(7,005)**	**(12,231)**	**–**	**1,601**	**(1,801)**	**(19,436)**
Unallocated operating income						**4,918**
Unallocated operating expenses						**(13,766)**
Finance costs						**(9,529)**
Loss before tax						**(37,813)**

Six months ended 30 June 2014

	Composite components *HK$'000* (Unaudited)	Unit electronic components *HK$'000* (Unaudited)	Properties investment *HK$'000* (Unaudited)	Hotel operation *HK$'000* (Unaudited)	Properties development *HK$'000* (Unaudited) (Restated)	Total *HK$'000* (Unaudited) (Restated)
Revenue	58,126	74,373	691	20,808	–	153,998
Segment (loss) profit	(12,118)	(12,010)	(6,610)	1,730	(2,302)	(31,310)
Unallocated operating income						718
Unallocated operating expenses						(9,440)
Finance costs						(8,412)
Loss before tax						(48,444)

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

(b) Segment assets and liabilities

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

	Composite components		Unit electronic components		Properties investment		Hotel operation		Properties development		Consolidated	
	30 June 2015	31 December 2014	**30 June 2015**	31 December 2014	**30 June 2015**	31 December 2014	**30 June 2015**	31 December 2014	**30 June 2015**	31 December 2014	**30 June 2015**	31 December 2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**92,517**	80,380	**76,394**	58,579	**–**	–	**97,148**	104,589	**103,159**	74,569	**369,218**	318,117
Unallocated assets												
– Restricted bank deposits											**–**	12,940
– Short-term bank deposit with original maturity more than three months											**1,000**	1,000
– Bank balances and cash											**30,328**	31,921
– A disposal group classified as held for sale											**–**	86
– Others											**4,357**	4,424
Consolidated assets											**404,903**	368,488
Segment liabilities	**53,515**	35,291	**45,959**	40,226	**–**	–	**6,158**	5,528	**97,362**	66,585	**202,994**	147,630
Unallocated liabilities												
– Others											**222,125**	199,770
Consolidated liabilities											**425,119**	347,400

For the purposes of monitoring segment performances and allocating resources between segments for the six months ended 30 June 2015 and the year ended 31 December 2014:

- all assets are allocated to reportable segments other than restricted bank deposits, short-term bank deposit with original maturity more than three months, bank balances and cash, a disposal group classified as held for sales and part of other receivables. 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, amount due to related companies, amount due to ultimate holding company, amount due to a director, obligation under a finance lease, deferred tax liabilities, secured loan and bonds.

4. SEASONALITY OF OPERATIONS

The sales of composite components segment, unit electronic components segment and hotel operation segment of the Group are subject to seasonal fluctuations, with peak demand in the third quarter of each year.

5. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax		
Provision for the period	**1,085**	1,446
Canada Corporate Tax		
Provision for the period	**–**	319
Deferred tax		
(Credited) charged for the period	**–**	(5,417)
	1,085	(3,652)

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2015 and 2014 as the Group did not have any assessable profit derived from Hong Kong.

Provision for the PRC Enterprise Income Tax for its subsidiaries in the PRC are calculated at 25% (2014: 25%) of estimated assessable profits for the six months ended 30 June 2015 and 2014.

The Korea branch operated in Korea is subject to Korean Corporate Income Tax. The basic Korean Corporate Tax rates for the six months ended 30 June 2015 and 2014 are 11% on the first KRW200,000,000 of the tax base and 22% for the excess. In addition to the basic tax rate, there is a resident surcharge of 10% on the income tax liability. No provision for taxation has been made as there is no assessable profit for the six months ended 30 June 2015 and 2014.

Canadian Corporate Tax is calculated at Federal tax rate of 15% and British Columbia provincial tax rate of 11% on the estimated assessable profits for the six months ended 30 June 2015 and 2014. No provision for Canadian Corporate Tax has been made for the six months ended 30 June 2015.

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Loss for the period has been arrived at after charging (crediting):		
Minimum lease payments for rented premises under operating leases	**4,379**	4,284
Gross rental income less outgoing (2014: approximately HK$190,000)	**–**	(502)
Cost of inventories recognised as an expense	**116,192**	87,154
Impairment loss recognised on trade and other receivables (included in other operating expenses)	**–**	123
Net foreign exchange losses	**257**	25
Allowance of inventories (included in cost of sales)	**749**	3,206
Reversal of allowance of inventories (included in cost of sales)	**–**	(1,561)
Equity-settled share-based payments expenses (included in other operating expenses)	**493**	87
Depreciation	**5,130**	5,245
Gain on disposal of property, plant and equipment	**113**	–
Gain on disposal of a subsidiary	**(110)**	–
Interest income	**(126)**	(391)
Loss on disposal of investment properties	**–**	4,191
Change in fair value of investment properties	**–**	2,901

7. DIVIDEND

No dividend was paid, declared or proposed during the interim period (six months ended 30 June 2014: nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2014: nil).

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	**(38,898)**	(44,792)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**327,896,933**	323,896,933

The computation of diluted loss per share does not assume the exercise of the Company's share options as the exercise price of those options was higher than the average market price of the Company's shares for the six months ended 30 June 2015.

The diluted loss per share is the same as basic loss per share as the Company has no dilutive potential shares outstanding for the six months ended 30 June 2015 and 2014.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of approximately HK$15,181,000 (six months ended 30 June 2014: approximately HK$1,988,000).

During the six months ended 30 June 2015, the Group disposed of certain property, plant and equipment with cash proceeds of approximately HK$8,000 resulting in a loss on disposal of approximately HK$113,000 (six months ended 30 June 2014: nil).

As at 30 June 2015, the Group's land and buildings held for own use of approximately HK$91,561,000 (31 December 2014: HK$98,217,000) were pledged to secure secured loan granted to the Group.

10. PROPERTIES UNDER DEVELOPMENT

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
At beginning of the year	**66,950**	57,441
Exchange adjustments	**22**	(513)
Additions	**13,062**	10,022
At end of the period/year	**80,034**	66,950
Represented by:		
Land use rights	**53,182**	53,164
Construction costs and capitalised expenditure	**26,852**	13,786
	80,034	66,950

Properties under development are classified as current asset as the construction period of the relevant property development project is expected to complete in the normal operating cycle.

11. TRADE AND OTHER RECEIVABLES

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
Trade receivables	**109,563**	85,249
Less: impairment loss recognised	**(10,957)**	(10,965)
	98,606	74,284
Deposits and other receivables	**36,663**	29,051
Prepayments	**5,392**	966
Total trade and other receivables	**140,661**	104,301

The Group allows an average credit period of 30 to 90 days to its trade customers.

The following is an aged analysis of trade receivables net of impairment loss presented based on the date of delivery of goods or date of rendering of services which approximated the respective dates on which revenue was recognised.

	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**75,621**	67,770
91 to 180 days	**19,529**	5,515
181 to 365 days	**2,557**	999
Over 365 days	**899**	–
	98,606	74,284

12. TRADE AND OTHER PAYABLES

	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**69,798**	51,393
Accrued expenses and other payables	**87,995**	53,077
	157,793	104,470

The average credit period on purchases of goods is 0 to 90 days.

The following is an aged analysis of trade payables presented based on the invoice date.

	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**56,485**	43,207
91 to 180 days	**10,240**	5,925
181 to 365 days	**835**	69
Over 365 days	**2,238**	2,192
	69,798	51,393

13. AMOUNTS DUE TO RELATED COMPAIES

Included in the balance, certain amounts are unsecured, non-interest bearing and repayable on demand. The remaining balances were arisen from normal purchase transactions, which are unsecured, non-interest bearing and expected to be settled according to their respective credit terms which are similar to those with third parties.

14. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/A DIRECTOR

The amounts are unsecured, non-interest bearing and repayable in March 2017.

The effective interest rate of the amounts due to ultimate holding company and the director is 5% per annum.

15. CAPITAL AND RESERVES

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Contribution reserve HK$'000	Properties revaluation reserve HK$'000	Statutory reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Retained profits (accumulate losses) HK$'000	Total HK$'000
For the six months ended 30 June 2014										
At 1 January 2014 (audited)	32,390	58,566	12,460	8,478	10,397	10,215	–	(4,202)	3,289	131,593
Loss for the period (restated)	–	–	–	–	–	–	–	–	(44,792)	(44,792)
Other comprehensive income for the period										
– Release of deferred tax upon disposal of investment properties	–	–	–	–	1,962	–	–	–	–	1,962
– Exchange differences arising on translation (restated)	–	–	–	–	–	–	–	87	–	87
	–	–	–	–	1,962	–	–	87	–	2,049
Total comprehensive income (expense) for the period	–	–	–	–	1,962	–	–	87	(44,792)	(42,743)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	58,566	(58,566)	–	–	–	–	–	–	–	–
Recognition of equity-settled share-based payments expenses	–	–	–	–	–	–	87	–	–	87
Release upon disposal of investment properties	–	–	–	–	(11,890)	–	–	–	11,890	–
At 30 June 2014 (unaudited)	90,956	–	12,460	8,478	469	10,215	87	(4,115)	(29,613)	88,937
For the six months ended 30 June 2015										
At 1 January 2015 (audited)	**99,076**	**–**	**(8,195)**	**8,478**	**–**	**10,215**	**829**	**(13,269)**	**(76,046)**	**21,088**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(38,898)**	**(38,898)**
Other comprehensive income (expense) for the period										
– Exchange differences arising on translation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,899)**	**–**	**(2,899)**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**(2,899)**	**–**	**(2,899)**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,899)**	**(38,898)**	**(41,797)**
Recognition of equity-settled share-based payments expenses	**–**	**–**	**–**	**–**	**–**	**–**	**493**	**–**	**–**	**493**
Transfer to retained profits upon lapse of share options granted by the Company	**–**	**–**	**–**	**–**	**–**	**–**	**(1,322)**	**–**	**1,322**	**–**
At 30 June 2015 (unaudited)	**99,076**	**–**	**(8,195)**	**8,478**	**–**	**10,215**	**–**	**(16,168)**	**(113,622)**	**(20,216)**

16. SECURED LOAN

On 24 December 2014, the Company signed a secured term loan facility with aggregate principal amount of US$13,000,000 (equivalent to approximately HK$100,847,000) to refinance the secured note issued on 20 November 2013. The secured term loan facility is guaranteed by its subsidiaries, two directors of the Company and a related company, has a maturity term of two years and bears a fixed interest rate of 14% per annum with interest payable annually in arrears. The secured term loan facility is secured by the land and buildings of the Group of approximately HK$91,561,000 as at 30 June 2015 (31 December 2014: approximately HK$98,217,000).

In the opinions of the directors of the Company, the effective interest rate of the secured loan approximated to the nominal interest rate of 14% per annum.

The carrying amount of the secured loan was approximately HK$100,785,000 as at 30 June 2015 (31 December 2014: approximately HK$100,847,000).

17. BONDS

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
HK$20,000,000 bonds carry fixed coupon rate of 6% per annum	**20,000**	20,000
HK$20,000,000 bonds carry fixed coupon rate of 8% per annum	**20,000**	–
	40,000	20,000

During the six months ended 30 June 2015, the Company issued two 8% HKD dollar denominated bonds with principal amount of HK$10,000,000 each on 23 January 2015 and 1 June 2015 respectively. The amounts are repayable within 96 months and 60 months respectively from the date of issue.

As at 30 June 2015, the aggregate carrying amounts of the bonds are HK$40,000,000 (31 December 2014: HK$20,000,000).

18. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme which was adopted on 3 June 2013 whereby the directors of the Company are authorised, at their discretion, to invite, among other eligible participants, employees of the Group (including directors of any member of the Group), advisers and consultants, to take up options to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one ordinary share of the Company. The Scheme shall be valid and effective for a period of ten years ending on 2 June 2023, after which no further options can be granted.

The table below discloses movement of the Company's share options held by a director of the Company:

	Number of share options
Outstanding as at 30 June 2014 and 1 January 2015	3,238,969
Lapsed during the period	(3,238,969)
Outstanding as at 30 June 2015	–

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

FINANCIAL REVIEW

Revenue represents sales of goods, rental income and hotel operating income. The Group's revenue increased by approximately 23.7% to approximately HK$190,530,000 as compared with the corresponding period last year. Cost of sales increased by approximately HK$33,968,000 or 21.7% to approximately HK$190,571,000 which was in line with the increase in revenue.

Other income and gains for the six months ended 30 June 2015 increased by approximately HK$4,200,000 as compared with the corresponding period last year. The increase was primarily due to gain arising from initial recognition of amount due to a director and ultimate holding company at fair value during the period under review.

Operating expenses for the six months ended 30 June 2015 decreased by approximately HK$4,984,000 or 13.0% as compared with the corresponding period last year. The decrease was mainly due to loss on disposal of certain investment properties (included in other operating expenses) of approximately HK$4,191,000 reported in the corresponding period last year.

The increase in finance costs was mainly due to the interest charged on bonds issued by the Group while no such item reported in the corresponding period last year.

Taxation represented an income tax expense of approximately HK$1,085,000 as compared to a net tax credit of approximately HK$3,652,000 in the corresponding period last year. The difference was due to a deferred tax credit arising from the disposal of certain investment properties recorded in the corresponding period last year.

As a result of the foregoing, the Group reported a loss for the period of approximately HK$38,898,000 as compared to approximately HK$44,792,000 recorded in the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2015, the Group's net current assets amounted to approximately HK$41,230,000 (31 December 2014: approximately HK$78,134,000).

Current ratio, being the ratio of current assets to current liabilities, decreased from 1.46 as at 31 December 2014 to 1.17 as at 30 June 2015. The decrease in ratio mainly reflected the increase in current liabilities as a result of increase in approximately HK$53,323,000 trade and other payables.

As at 30 June 2015, the Group's net debt (total borrowings net of cash and bank balance) over total adjust equity (the sum of all components of equity, amount due to ultimate holdings company and amount due to a director) was approximately 404.5% (31 December 2014: approximately 95.5%).

As at 30 June 2015, the Group's bank and cash balances amounted to approximately HK$31,328,000 which including approximately HK$1,000,000 short term bank deposit with original maturity more than three months (31 December 2014: approximately HK$45,861,000 which including approximately HK$12,940,000 restricted bank deposits and approximately HK$1,000,000 short term bank deposit with original maturity more than three months).

Charge on Assets

As at 30 June 2015, the Group's land and buildings held for own use of approximately HK$91,561,000 (31 December 2014: bank deposits of approximately HK$12,940,000, land and buildings held for own use of approximately HK$98,217,000) were pledged to secure banking facilities granted to the Group.

Capital Structure

For the six months ended 30 June 2015, the Group financed its liquidity requirements through a combination of cash flow as generated from operations, secured loan, bonds, advances from a director and ultimate holding company.

Capital Commitment and Contingent Liabilities

As at 30 June 2015, the Group's capital commitments were approximately HK$555,650,000 (31 December 2014: approximately HK$139,000,000) and approximately HK$19,470,000 (31 December 2014: approximately HK$18,563,000) as operating lease commitments. As at 30 June 2015, the Group did not have any significant contingent liabilities.

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 2015.

Staff and Remuneration Policies

As at 30 June 2015, the Group had approximately 1,165 employees, including 1,021 based in the People's Republic of China (the "**PRC**"), 28 based in Hong Kong, 111 based in Canada and 5 based in Korea. Staff costs for the six months ended 30 June 2015 were approximately HK$56,390,000, representing an increase of approximately HK$7,010,000 as compared to approximately HK$49,380,000 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 Dollar, Korean Won and Canadian Dollar. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investment in foreign operations. During the six months ended 30 June 2015, the Group did not enter into any forward foreign currency contracts.

BUSINESS REVIEW

For the six months ended 30 June 2015, revenue from composite components business increased by approximately 58.6% to approximately HK$92,198,000 as compared with approximately HK$58,126,000 for the corresponding period last year. The increase was mainly driven by increase in sales of tablets during the period. The revenue amount represented approximately 48.4% of the Group's total revenue.

Revenue from unit electronic components business amounted to approximately HK$78,485,000, representing an increase of approximately 5.5% as compared to approximately HK$74,373,000 over the corresponding period last year. The increase was due to the net effect of increase in sales of transformers and decrease in sales of coils during the period. The revenue amount represented approximately 41.2% of the Group's total revenue.

All of the Group's investment properties were disposed in 2014, no revenue generated from properties investment business during the period (six months ended 30 June 2014: approximately HK$691,000).

Revenue generated from hotel operation in Canada contributed approximately HK$19,847,000 for the six months ended 30 June 2015 which represented 10.4% of the Group's total revenue (six months ended 30 June 2014: approximately HK$20,808,000).

In September 2014, the Group acquired Best Dollar Group, which owns a parcel of land located in Zhaotong City, Yunnan Province, the PRC. After the acquisition, the Group has entered into a new business segment - Property Development. This project with a total gross floor area of 243,000 sq.m for residential properties and a total gross floor area of 41,000 sq.m for commercial use is under construction. Pre-sales are scheduled to be launched starting from fourth quarter of 2015 and completion is planned progressively from 2016 to 2017.

PROSPECTS

Although the revenue of the Group's electronic components business recorded an increase in this period, the business is still at a loss, which is resulted from the slow economic recovery, weak demand for traditional electronic products in export market and intense market competition. The Group will continue to take appropriate operational strategies to tackle the continuing impacts from these difficult conditions so as to bring a turnaround for the Group.

The hotel and residential composite development project located in Zhaotong City, Yunnan Province, the People's Republic of China is under construction. As a result of the slowdown of China's economic growth, the real estate industry is in a downward trend. With reference to the development of the real estate market, the Group will take appropriate adjustments on the construction progress, tighten up cost control to ensure the overall return of the project.

The hotel operation business in Victoria, British Columbia, Canada continues to generate income for the Group. The Group is actively exploring other investment opportunities in hotel operation, property investment and development both in the PRC and other overseas counties, with an aim to enhance the shareholders' returns.

The Group has been in discussion with various service providers in the healthcare and senior care industry. Leveraging on the Group's resources and experience in areas such as hotel operation as well as property investment and development, the Group intends to be an integrated service provider for global high-end healthcare and senior care industry, with high-end senior care properties as a foundation as well as service management and medical care as core resources.

OTHER INFORMATION

Corporate Governance

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 2015, except for the following:

Pursuant to the code provision A.6.7, independent non-executive directors and other non-executive directors, as equal Board members, should attend the general meetings of the Company.

The Company held its annual general meeting on 29 May 2015 (the "**AGM**") but an independent non-executive director was unable to attend the AGM due to his unavoidable business engagement. The Company will continue to create excellent conditions for independent non-executive directors and (if any) non-executive directors to attend general meetings, so as to support executive directors to respond to shareholders' questions in the general meetings. 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 Appendix 10, Model Code for Securities Transactions by Directors of Listed Issuers of 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 as at 30 June 2015, all directors have complied with the code 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 price sensitive information, have been requested to comply with the provisions of the Model Code.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

Review of Accounts

The audit committee of the Board (the "**Audit Committee**") has reviewed and discussed with the management 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 2015. The Audit Committee consists of three 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 and 2015 Interim Report

This interim results announcement has been published on the Company's website at www.kse.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The 2015 interim report is expected to be despatched to shareholders on or before 30 September 2015, which will be also made available on the websites of the Company and the Stock Exchange.

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

Hong Kong, 28 August 2015

As at the date hereof, the Board comprises five executive Directors Mr. SHEN Yong, Mr. SHEN Ke, Mr. ZHAO Enze, Mr. FAN Jiangang and Mr. HONG Sang Joon; and three independent non-executive Directors Mr. YU Lei, Ms. ZHANG Cui Lan and Mr. Ernst Rudolf ZIMMERMANN.