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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2310)

2016 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of Forebase International Holdings Limited (the "**Company**") announces that the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**163,632**	190,530
Cost of sales and services		**(159,010)**	(190,571)
Gross profit/(loss)		**4,622**	(41)
Other income and gains		**1,546**	4,808
Gain on disposal of a subsidiary		**56,835**	110
Selling and distribution expenses		**(5,105)**	(5,462)
Administrative expenses		**(16,080)**	(19,689)
Research and development expenses		**(968)**	(2,376)
Other operating expenses		**(13,269)**	(5,634)
Finance costs		**(9,485)**	(9,529)
Profit/(loss) before tax		**18,096**	(37,813)
Income tax expense	*5*	**(2,433)**	(1,085)
Profit/(loss) for the period	*6*	**15,663**	(38,898)

	Note	Six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Other comprehensive income (expense):			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**235**	(2,899)
Other comprehensive income (expense) for the period		**235**	(2,899)
Total comprehensive income (expense) for the period		**15,898**	(41,797)
Earnings/(loss) per share	*8*		
– Basic and diluted (HK cents)		**4.02**	(11.86)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	9	**116,269**	114,370
Club memberships		**600**	600
Intangible assets		**132,346**	142,446
Deposits for purchase of property, plant and equipment		**317**	206
		249,532	257,622
Current assets			
Inventories		**28,391**	31,446
Properties under development	10	–	134,291
Trade and other receivables	11	**95,184**	146,689
Restricted bank deposits		**3,090**	11,768
Short-term bank deposit with original maturity more than three months		**1,000**	1,000
Bank balances and cash		**38,130**	49,443
		165,795	374,637
Current liabilities			
Trade and other payables	12	**146,916**	219,330
Amounts due to related companies	13	–	94,334
Tax payables		**1,854**	3,067
Obligation under a finance lease		**152**	148
Secured loan	14	**62,069**	62,006
		210,991	378,885
Net current liabilities		**(45,196)**	(4,248)
Total assets less current liabilities		**204,336**	253,374

	Notes	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Restated)
Capital and reserves			
Share capital	*15*	**223,711**	99,076
Reserves		**(136,414)**	(28,052)
Equity attributable to owners of the Company and total equity		**87,297**	71,024
Non-current liabilities			
Deferred tax liabilities		**63**	98
Obligation under a finance lease		**79**	156
Amount due to a director	*16*	**9,897**	142,096
Bonds	*17*	**107,000**	40,000
		117,039	182,350
		204,336	253,374

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**").

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 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

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 HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to the HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statement
Amendments to HKRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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, service income from hotel operation and property management fee income. During the six months ended 30 June 2016, the Group has a new reportable and operating segment, property management services upon the completion of the acquisition of Capital Knight Limited and its subsidiaries ("**Capital Knight Group**") on 27 January 2016.

The Group is principally engaged in the manufacture and sales of electronic components, hotel operation, properties development and provision of property management services. 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) Hotel operation segment

Operation of a resort in Canada.

(4) Properties development segment

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

(5) Property management services

Provision of property management services in 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 2016

	Composite components *HK$'000* **(Unaudited)**	**Unit electronic components** *HK$'000* **(Unaudited)**	**Hotel operation** *HK$'000* **(Unaudited)**	**Properties development** *HK$'000* **(Unaudited)**	**Property management services** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Revenue	**53,945**	**71,922**	**19,299**	**–**	**18,466**	**163,632**
Segment (loss) profit	**(14,131)**	**(8,052)**	**1,426**	**(370)**	**(382)**	**(21,509)**
Unallocated operating income						**58,381**
Unallocated operating expenses						**(9,291)**
Finance costs						**(9,485)**
Profit before tax						**18,096**

Six months ended 30 June 2015

	Composite components *HK$'000* (Unaudited)	Unit electronic components *HK$'000* (Unaudited)	Hotel operation *HK$'000* (Unaudited)	Properties development *HK$'000* (Unaudited)	Property management services *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)

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		Hotel operation		Properties development		Property management services		Consolidated	
	30 June 2016	31 December 2015	**30 June 2016**	31 December 2015	**30 June 2016**	31 December 2015	**30 June 2016**	31 December 2015	**30 June 2016**	31 December 2015	**30 June 2016**	31 December 2015
	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)	(Restated)	**(Unaudited)**	(Restated)	**(Unaudited)**	(Restated)	**(Unaudited)**	(Restated)	**(Unaudited)**	(Restated)	**(Unaudited)**	(Restated)
Segment assets	**56,291**	101,301	**70,091**	81,922	**91,464**	85,526	**–**	135,310	**151,788**	162,067	**369,634**	566,126
Unallocated assets												
– Restricted bank deposits											**3,090**	11,768
– Short-term bank deposit with original maturity more than three months											**1,000**	1,000
– Bank balances and cash											**38,130**	49,443
– Others											**3,473**	3,922
Consolidated assets											**415,327**	632,259
Segment liabilities	**51,947**	81,676	**69,260**	67,185	**6,073**	3,769	**–**	133,997	**6,850**	11,644	**134,130**	298,271
Unallocated liabilities												
– Others											**193,900**	262,964
Consolidated liabilities											**328,030**	561,235

For the purposes of monitoring segment performances and allocating resources between segments for the six months ended 30 June 2016 and the year ended 31 December 2015:

- 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, 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 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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax		
Provision for the period	**2,433**	1,085
	2,433	1,085

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2016 and 2015 as the Group did not have any assessable profit derived from Hong Kong.

A PRC subsidiary, which is registered in Chongqing and engaged in the encouraged industries in the western region by local tax bureau, and entitled to the PRC Enterprise Income Tax at a preferential rate of 15%. Except for this PRC subsidiary, provision for the PRC Enterprise Income Tax for other subsidiaries in the PRC are calculated at 25% (2015: 25%) of estimated assessable profits for the six months ended 30 June 2016 and 2015.

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 2016 and 2015 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 2016 and 2015.

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 2016 and 2015. No provision for Canadian Corporate Tax has been made for the six months ended 30 June 2016.

6. PROFIT/(LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) for the period has been arrived at after charging:		
Minimum lease payments for rented premises under operating leases	**3,794**	4,379
Cost of inventories recognised as an expense	**3,545**	116,192
Impairment loss recognised on trade and other receivables (included in other operating expenses)	**276**	–
Net foreign exchange losses	**58**	257
Allowance of inventories (included in cost of sales)	**1,417**	749
Equity-settled share-based payments expenses (included in other operating expenses)	**375**	493
Depreciation	**5,019**	5,130
Amortization of Intangible Assets	**7,399**	–
(Gain)/loss on disposal of property, plant and equipment	**(420)**	113
Gain on disposal of a subsidiary	**(56,635)**	(110)
Interest income	**(78)**	(126)

7. DIVIDEND

No dividend was paid, declared or proposed during the interim period (six months ended 30 June 2015: 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 2015: nil).

8. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(loss)		
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share		
Profit/(loss) for the period attributable to owners of the Company	**15,663**	(38,898)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**389,161,029**	327,896,933

The computation of diluted earnings/(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 2016.

The diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as the Company has no dilutive potential shares outstanding for the six months ended 30 June 2016 and 2015.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a cost of approximately HK$2,441,000 (six months ended 30 June 2015: approximately HK$15,181,000).

During the six months ended 30 June 2016, the Group disposed of certain property, plant and equipment with cash proceeds of approximately HK$428,000 (six months ended 30 June 2015: approximately HK$8,000) resulting in a gain on disposal of approximately HK$420,000 (six months ended 30 June 2015: approximately HK$113,000 loss on disposal).

As at 30 June 2016, the Group's land and buildings held for own use of approximately HK$85,888,000 (31 December 2015: approximately HK$80,858,000) were pledged to secure secured loan granted to the Group.

10. PROPERTIES UNDER DEVELOPMENT

	30 June 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Restated)
At beginning of the year	**134,291**	66,950
Exchange adjustments	**952**	(6,988)
Additions	**128**	74,329
Disposals	**(135,371)**	–
At end of the period/year	**–**	134,291
Represented by:		
Land use rights	**–**	50,107
Construction costs and capitalised expenditure	**–**	84,184
	–	134,291

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 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Restated)
Trade receivables	**86,289**	114,226
Less: impairment loss recognised	**(10,962)**	(10,871)
	75,327	103,355
Deposits and other receivables	**18,618**	40,222
Prepayments	**1,239**	3,112
Total trade and other receivables	**95,184**	146,689

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 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
Within 90 days	**51,189**	87,626
91 to 180 days	**21,170**	5,352
181 to 365 days	**2,968**	5,373
Over 365 days	**–**	5,004
	75,327	103,355

12. TRADE AND OTHER PAYABLES

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
Trade payables	**71,296**	92,491
Construction payables	**–**	35,040
Advances from third parties	**28,692**	42,337
Accrued expenses and other payables	**46,928**	49,462
	146,916	219,330

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 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
Within 90 days	**32,387**	80,037
91 to 180 days	**12,887**	2,319
181 to 365 days	**9,817**	7,737
Over 365 days	**16,205**	2,398
	71,296	92,491

13. AMOUNTS DUE TO RELATED COMPANIES

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. SECURED LOAN

On 24 December 2014, the Company signed a secured 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 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 loan facility is secured by the land and buildings of the Group of approximately HK$85,888,000 as at 30 June 2016 (31 December 2015: approximately HK$80,858,000).

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$62,069,000 as at 30 June 2016 (31 December 2015: approximately HK$62,006,000).

15. CAPITAL AND RESERVES

	Share capital HK$'000	Merger reserve HK$'000	Contribution reserve HK$'000	Statutory reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
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)
For the six months ended 30 June 2016								
At 1 January 2016 (audited)	**99,076**	**(8,195)**	**8,478**	**10,215**	**260**	**(35,990)**	**(152,380)**	**(78,536)**
Effect on adopting merger accounting for common control combination	**–**	**–**	**–**	**–**	**–**	**(6,737)**	**156,297**	**149,560**
At 1 January 2016 (restated)	**99,076**	**(8,195)**	**8,478**	**10,215**	**260**	**(42,727)**	**3,917**	**71,024**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**15,663**	**15,663**
Other comprehensive income for the period								
– Exchange differences arising on translation	**–**	**–**	**–**	**–**	**–**	**235**	**–**	**235**
	–	**–**	**–**	**–**	**–**	**235**	**–**	**235**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**–**	**235**	**15,663**	**15,898**
Issue of Shares	**124,635**	**–**	**–**	**–**	**–**	**–**	**–**	**124,635**
Recognition of equity-settled share-based payments expenses	**–**	**–**	**–**	**–**	**375**	**–**	**–**	**375**
Effect on adopting merger accounting for common control combination	**–**	**21,582**	**–**	**–**	**–**	**–**	**(146,217)**	**(124,635)**
Disposal of a subsidiary	**–**	**8,195**	**–**	**–**	**–**	**(319)**	**(7,876)**	**–**
At 30 June 2016 (unaudited)	**223,711**	**21,582**	**8,478**	**10,215**	**635**	**(42,811)**	**(134,513)**	**87,297**

16. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, non-interest bearing and repayable in September 2017.

The effective interest rate of the amount due a director is 5% per annum.

17. BONDS

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
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**	20,000
HK$47,000,000 bonds carry fixed coupon rate of 5% per annum	**47,000**	–
HK$20,000,000 bonds carry fixed coupon rate of 6% per annum	**20,000**	–
	107,000	40,000

During the six months ended 30 June 2016, the Company issued 5% HK dollar denominated bond with aggregate principal amount of HK$47,000,000 and 6% HK dollar denominated bond with aggregate principal amount of HK$20,000,000 on 29 March 2016 and 7 April 2016. The amounts are repayable within 36 months and 96 months respectively from the date of issue.

As at 30 June 2016, the aggregate carrying amounts of the bonds are approximately HK$107,000,000 (31 December 2015: approximately HK$40,000,000).

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	
	2016	2015
Outstanding at 1 January	**3,278,939**	3,238,969
Lapsed during the period	—	(3,238,969)
Outstanding at 30 June	**3,278,939**	—

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

FINANCIAL REVIEW

Revenue represents sales of goods, hotel operating income and property management fee income. The Group's revenue decreased by approximately 14.1% to approximately HK$163,632,000, as compared with the corresponding period last year. Cost of sales decreased by approximately HK$31,561,000 or 16.6% to approximately HK$159,010,000 which was in line with the decrease in revenue.

Other income and gains for the six months ended 30 June 2016 decreased by approximately HK$3,262,000 as compared with the corresponding period last year. The decrease was primarily due to the decrease in gain arising from amounts due to a director and ultimate holding company at fair value compared with the corresponding period last year.

In April 2016, the Group disposed of its entire equity interest of Best Dollar International Limited and its subsidiaries ("**Disposal Group**") at a consideration of HK$50,000,000. The transaction was completed on 15 April 2016 and gain on disposal of a subsidiary of approximately HK$56,835,000 was recorded in the period under review.

Operating expenses for the six months ended 30 June 2016 increased by approximately HK$2,261,000 or 6.8% as compared with the corresponding period last year. The increase was mainly due to net effect of decrease in research and development expenses of approximately HK$1,408,000 compared with the corresponding period last year, amortisation of intangible assets of approximately HK$7,399,000 recorded in the period under review and cost of issuing bonds of approximately HK$3,495,000 in the corresponding period last year while no such item recorded in the period under review.

The decrease in finance costs was mainly due to the net effect of approximately HK$38,761,000 repayment of the secured loan in the second half of 2015 and interest charged on bonds issued by the Group during the period under review.

Income tax expense increased to approximately HK$2,433,000 from approximately HK$1,085,000 in the corresponding period last year was mainly due to the provision for PRC Enterprise Income Tax of the new business segment – Property Management Services.

As a result of the foregoing, the Group reported a profit for the period of approximately HK$15,663,000 as compared to a loss of approximately HK$38,898,000 recorded in the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2016, the Group's net current liabilities amounted to approximately HK$45,196,000 (31 December 2015: approximately HK$4,248,000).

Current ratio, being the ratio of current assets to current liabilities, decreased from 0.99 as at 31 December 2015 to 0.79 as at 30 June 2016.

As at 30 June 2016, the Group's bank and cash balances amounted to approximately HK$42,220,000 which including approximately HK$3,090,000 restricted bank deposits and approximately HK$1,000,000 short term bank deposit with original maturity more than three months (31 December 2015: approximately HK$62,211,000 which including approximately HK$11,768,000 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 2016, the Group's land and buildings held for own use of approximately HK$85,888,000 (31 December 2015: land and buildings held for own use of approximately HK$80,858,000) were pledged to secure a secured loan facility granted to the Group.

Capital Structure

For the six months ended 30 June 2016, the Group financed its liquidity requirements through a combination of cash flow as generated from operations, secured loan, bonds and advances from a director.

Capital Commitment and Contingent Liabilities

As at 30 June 2016, the Group has no capital commitments (31 December 2015: approximately HK$518,685,000) and approximately HK$11,863,000 (31 December 2015: approximately HK$15,386,000) as operating lease commitments. As at 30 June 2016, the Group did not have any significant contingent liabilities.

Investment Activities

Acquisition of property management business

On 30 October 2015, the Company had entered into a sale and purchase agreement with Ultra Harvest Limited, the controlling shareholder of the Company, to acquire the entire issued share capital of Capital Knight Group, at a consideration of approximately HK$146,000,000. The consideration was satisfied by way of allotment and issue of 71,219,512 new shares at HK$2.05 each, representing approximately 21.72% of the issued share capital of the Company.

Chongqing Novotel Property Management Co. Ltd., a subsidiary of the Capital Knight Group of which is principally engaged in property management business in Chongqing. It currently possesses first class qualification for property management in the PRC. The property management services primarily include but not limited to security, cleaning, parking services, gardening repairments and maintenance provided to residential and commercial units and ancillary facilities as wells as hotel in the PRC. The acquisition was completed on 27 January 2016.

Disposal of property development business

On 1 April 2016, the Company had entered into a disposal agreement with an independent third party, to dispose the entire issued share capital of the Disposal Group, at a consideration of HK$50,000,000.

The Disposal Group possesses a property development project in Zhaotong City, Yunnan Province, the PRC with a site area of approximately 56,611.90 sq. m., of which approximately 13,333.00 sq. m. for other commercial service use and as to approximately 43,278.90 sq. m. for residential use. The disposal was completed on 15 April 2016.

Staff and Remuneration Policies

As at 30 June 2016, the Group had approximately 1,274 employees, including 1,115 based in the PRC, 32 based in Hong Kong, 127 based in Canada and 23 based in Korea. Staff costs for the six months ended 30 June 2016 were approximately HK$60,535,000, representing an increase of approximately HK$4,145,000 as compared to approximately HK$56,390,000 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 2016 the Group did not enter into any forward foreign currency contracts.

BUSINESS REVIEW

Decrease in consumer demand for traditional electronics market dragged the Group's electronic components business. For the six months ended 30 June 2016, the Group's revenue from composite components business was approximately HK$53,945,000, a decrease of 41.5% as compared to approximately HK$92,198,000 for the same period last year. The decrease was mainly driven by decrease in sales of tablets during the period. Revenue of the composite components business accounted for approximately 33% of the Group's total revenue.

Revenue contributed by unit electronic components business also recorded a 8.4% decline to approximately HK$71,922,000 compared to approximately HK$78,485,000 for the same period last year. The decrease was mainly due to decrease in sales of coils and transformers during the period under review. Revenue of the unit electronic components business accounted for 44% of the Group's total revenue.

Revenue generated from hotel operation in Canada contributed approximately HK$19,299,000 for the six months ended 30 June 2016 which represented 11.7% of the Group's total revenue.

In January 2016, the Group acquired the Capital Knight Group, of which its subsidiary is principally engaged in property management business in Chongqing. After the acquisition, the Group has entered into a new business segment – Property Management Services. The group currently possesses first class qualification for property management in the PRC. The property management services primarily include but not limited to security, cleaning, parking services, gardening, repairments and maintenance provide to residential and commercial units and ancillary facilities as well as hotel in the PRC.

Revenue generated from property management service in the PRC contributed approximately HK$18,466,000 for the six months ended 30 June 2016 which represented 11.3% of the Group's total revenue.

PROSPECTS

The Group is adjusting its overall operational strategies and taking active and favourable measures to implement a comprehensive upgrading of traditional electronic products processing business so as to reduce the negative impact of the electronic components business segment and contribute to bring a turnaround for the Group.

The hotel operation business in Victoria, British Columbia, Canada continues to generate revenue for the Group, of which, however, has contributed less due to foreign exchange fluctuations. The Group is actively exploring other investment opportunities in hotel operation, property investment and development in Hong Kong, the PRC and other overseas counties, with an aim to deliver substantial returns for shareholders of the Company through a series of acquisitions and proposed cooperation.

In January 2016, the Group completed the acquisition of Chongqing Novotel Property Management Co., Ltd., which the management expects to bring satisfactory income growth to the Group.

The Group has been conducting a series of discussions with various advanced service providers in the healthcare and senior care industry at home and aboard, and has received positive responses from some first-class high-end senior care service providers abroad. Leveraging on its resources and experience in areas such as hotel operation as well as property investment and development, the Group intends to become an integrated service provider in the 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 2016, 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 31 May 2016 (the "**AGM**"). 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. 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.

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 2016, 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 2016.

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 2016. 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 2016 Interim Report

This interim results announcement has been published on the Company's website at www.forebase.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The 2016 interim report is expected to be despatched to shareholders on or before 30 September 2016, 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, 30 August 2016

As at the date hereof, the executive Directors of the Company are Mr. SHEN Yong, Mr. KANEKO Hiroshi, Mr. SHEN Ke, Mr. GAN Lin and Mr. HONG Sang Joon; and three independent non-executive Directors of the Company are DR. LOKE Yu (alias LOKE Hoi Lam), Mr. YU Lei and Mr. Ernst Rudolf ZIMMERMANN.