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 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Forebase International Holdings Limited (the "Company") hereby announces the consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016** ***HK$'000***	2015 *HK$'000* (Restated)
Continuing operations			
Revenue	*4*	**310,147**	413,259
Cost of sales		**(312,998)**	(401,765)
Gross (loss)/profit		**(2,851)**	11,494
Other income	*6*	**12,354**	46,460
Selling and distribution expenses		**(10,163)**	(10,398)
Administrative expenses		**(35,781)**	(33,401)
Research and development expenses		**(2,341)**	(5,664)
Other operating expenses		**(15,816)**	(13,971)
Finance costs	*7*	**(17,902)**	(17,822)
Loss before income tax	*8*	**(72,500)**	(23,302)
Income tax expenses	*9*	**(9,720)**	(5,985)
Loss from continuing operations		**(82,220)**	(29,287)
Discontinued operation			
Profit/(loss) from discontinued operation	*18*	**56,146**	(3,768)
Loss for the year		**(26,074)**	(33,055)

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Loss for the year		**(26,074)**	(33,055)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(4,167)**	(23,336)
Reclassification adjustments for the cumulative gain transferred to profit or loss:			
Exchange differences released upon disposal of subsidiaries		**319**	–
Other comprehensive expense for the year		**(3,848)**	(23,336)
Total comprehensive expense for the year		**(29,922)**	(56,391)
(Loss)/Earnings per share	*11*	***HK cents***	*HK cents*
Basic and diluted			
– from continuing operations		**(20.23)**	(8.93)
– from discontinued operation		**13.81**	(1.15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**103,649**	114,370
Club memberships		**600**	600
Intangible assets	*12*	**39,153**	43,715
Deposits for purchase of property, plant and equipment		**–**	206
		143,402	158,891
Current assets			
Inventories		**32,048**	31,446
Properties under development		**–**	134,291
Trade and other receivables	*13*	**88,379**	146,903
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		**52,795**	49,443
		177,312	374,851
Current liabilities			
Trade and other payables	*14*	**148,961**	213,165
Amounts due to related companies		**3,974**	100,714
Current taxation		**6,214**	3,067
Obligation under finance leases		**156**	148
Secured loans	*15*	**1,933**	62,006
		161,238	379,100
Net current assets/(liabilities)		**16,074**	(4,249)
Total assets less current liabilities		**159,476**	154,642

	Note	2016	2015
		HK$'000	*HK$'000*
			(Restated)
Capital and reserves			
Share capital		**292,462**	99,076
Reserves		**(286,949)**	(133,626)
Total equity attributable to equity shareholders of the Company		**5,513**	(34,550)
Non-current liabilities			
Amount due to a director		**68,325**	142,096
Obligation under finance leases		**–**	156
Deferred tax liabilities		**7,673**	6,940
Secured loans	*15*	**37,965**	–
Bonds	*16*	**40,000**	40,000
		153,963	189,192
		159,476	154,642

Notes:

1. GENERAL

Forebase International Holdings Limited (the "Company") was incorporated in Hong Kong with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company is Room 3805, 38/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

In the opinion of the directors of the Company, the Company is controlled by Ultra Harvest Limited ("Ultra Harvest"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability, which is also the ultimate holding company of the Company and Mr. Shen Yong, the Chairman of the Company, is the ultimate controlling party of the Company.

The Company is an investment holding company and the principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the manufacturing and sale of electronic components, hotel operation and properties development in the People's Republic of China (the "PRC"). Upon the completion of the acquisition of the Capital Knight Limited ("Capital Knight") and its subsidiaries ("Capital Knight Group") in January 2016, the Group further extended its principal activities to property management in the PRC.

The functional currency of the Company is Hong Kong dollar ("HK$") and the functional currencies for certain subsidiaries are Renminbi ("RMB"), Canadian dollar ("CAD") and Korean Won ("KRW"). For the purposes of presenting the consolidated financial statements, the Group adopted HK$ as its presentation currency as its shares are listed in Hong Kong.

The financial information relating to the years ended 31 December 2016 and 2015 included in this announcement of 2016 annual results do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2016 in due course.

The auditor's report for the year ended 31 December 2015 was modified and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance. The auditor's report for the year ended 31 December 2016 was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. BASIS OF PREPARATION

The annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3. The consolidated financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

In January 2016, the Group had acquired 100% equity interest of Capital Knight Group by allotting and issuing 71,219,512 new ordinary shares of the Company. The acquisition was completed on 27 January 2016.

Capital Knight acquired 100% equity interest of Nuofute Property Management Co., Ltd.* 重慶諾富特物業管理有限公司 ("Nuofute Property Management") from independent third parties through its wholly owned subsidiary, Chongqing Wanwei Trading Development Co., Ltd* 重慶萬瑋貿易發展有限公司 ("Chongqing Wanwei") at a total cash consideration of RMB5,000,000 (equivalent to HK$6,232,000) on 24 July 2015. Nuofute Property Management is principally engaged in the provision of property management services.

The Group and Capital Knight Group are under the common control of Ultra Harvest and Mr. Shen Yong, the controlling shareholder, both before and after this acquisition, the directors consider the acquisition of Capital Knight Group is a business combination under common control. Accordingly, the consolidated financial statements of the Group has been prepared on the basis as if the Company had always been the holding company of Capital Knight Group during the year ended 31 December 2015 using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA.

As a result of the above, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows including the results and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence during the year ended 31 December 2015 or since the date the Company gains control or their respective dates of incorporation or establishment up to 31 December 2015. The consolidated statement of financial position of the Group as at 1 January 2016 have been restated to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence. The details of the merger accounting restatement are set out in note 17.

** For identification purpose only.*

3. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued a number of new and amended HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

At the date of authorisation of the consolidated financial statements, the Group has not early applied the following new and amended HKFRSs which are relevant to the Group's operations that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 2	Classification and Measurement of Share-based Payment Transactions[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

The Group is in the process of making an assessment of the impact of these new and amended HKFRSs upon initial application. Currently it has been considered that adoption of them is unlikely to have an impact on the Group's results of operations and financial position, except for the following:

HKFRS 9 "Financial Instruments" ("HKFRS 9")

The release of HKFRS 9 represents the completion of the project to replace HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39"). The new standard introduces extensive changes to HKAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. HKFRS 9 also provides new guidance on the application of hedge accounting.

The directors have started to assess the impact of HKFRS 9 but are not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.

- an expected credit loss-based impairment will need to be recognised on the Group's trade receivables.

HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15")

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and HK(IFRIC)-Int 13 "Customer Loyalty Programmes". It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements. The impact of the standard is currently being assessed. It is not yet practicable to quantify the effect on the consolidated financial statements.

HKFRS 16 "Leases" ("HKFRS 16")

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 "Leases" ("HKAS 17"). Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. It replaces HKAS 17 and the related interpretations including HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease". The impact of the standard is currently being assessed. It is not yet practicable to quantify the effect on the consolidated financial statements.

4. REVENUE

Revenue represents the sales of goods to customers less goods returns and trade discounts, service income from hotel operation and service income from property management.

Revenue from the Group's principal activities recognised during the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Sales of electronic components	**225,204**	345,033
Hotel operation income	**42,217**	41,081
Property management income	**42,726**	27,145
	310,147	413,259

5. SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sales of electronic components, hotel operation, property management 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) Electronic components

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

(2) Hotel operation

Operation of a resort in Canada.

(3) Property management

Property management in the PRC.

(4) Properties development

Properties development in the PRC.

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

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

For the purposes of monitoring segment performances and allocating resources between segments for the years ended 31 December 2016 and 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, club memberships and unallocated head office and corporate assets; and

- all liabilities are allocated to reportable segments other than unallocated head office and corporate liabilities, obligation under finance leases, deferred tax liabilities, amount due to a director, secured loans and bonds.

2016

	Continuing operations			Discontinued operation	
	Electronic components	**Hotel operation**	**Property management**	**Properties development**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**225,204**	**42,217**	**42,726**	**–**	**310,147**
Segment (loss)/profit	**(54,128)**	**3,953**	**8,870**	**(370)**	**(41,675)**
Finance costs	**–**	**(570)**	**–**	**–**	**(570)**
Depreciation	**(6,668)**	**(2,800)**	**(48)**	**(16)**	**(9,532)**
Interest income	**82**	**20**	**14**	**–**	**116**
Amortisation	**–**	**–**	**(4,562)**	**–**	**(4,562)**
Gain on disposal of property, plant and equipment	**585**	**–**	**–**	**–**	**585**
Provision for doubtful debts	**(277)**	**–**	**–**	**–**	**(277)**
Reversal for provision for doubtful debts	**189**	**–**	**–**	**–**	**189**
Allowance for inventories	**(900)**	**–**	**–**	**–**	**(900)**
Reversal of allowance for inventories	**1,199**	**–**	**–**	**–**	**1,199**
Segment assets	**104,831**	**87,747**	**69,110**	**–**	**261,688**
Additions to non-current segment assets during the year	**1,712**	**239**	**131**	**–**	**2,082**
Segment liabilities	**134,371**	**5,306**	**10,185**	**–**	**149,862**

2015

	Continuing operations			Discontinued operation	
	Electronic components	Hotel operation	Property management	Properties development	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)		(Restated)		
Revenue from external customers	345,033	41,081	27,145	–	413,259
Segment (loss)/profit	(39,083)	4,971	46,958	(3,768)	9,078
Finance costs	–	–	–	–	–
Depreciation	(7,070)	(2,722)	(40)	(154)	(9,986)
Interest income	232	–	14	3	249
Amortisation	–	–	(1,901)	–	(1,901)
Gain/(loss) on disposal of property, plant and equipment	21	(14)	–	–	7
Provision for doubtful debts	(27)	–	–	–	(27)
Reversal for provision for doubtful debts	111	–	–	–	111
Allowance for inventories	(4,341)	–	–	–	(4,341)
Reversal of allowance for inventories	1,703	–	–	–	1,703
Segment assets	183,223	85,526	63,551	135,310	467,610
Additions to non-current segment assets during the year	21,413	487	43,755	6	65,661
Segment liabilities	148,861	3,769	24,969	133,997	311,596

Reconciliation of reportable segment (loss)/profit, assets and liabilities:

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
(Loss)/profit from continuing operations		
Segment (loss)/profit	**(41,305)**	12,846
Interest income	**10**	12
Gain on disposal of a subsidiary	**-**	110
Gain on initial recognition of amount due to a director	**6,688**	5,646
Depreciation	**(152)**	(255)
Other finance costs	**(17,332)**	(17,822)
Unallocated head office and corporate expenses	**(20,409)**	(23,839)
Consolidated loss before income tax	**(72,500)**	(23,302)

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Assets		
Reportable segment assets	**261,688**	467,610
Restricted bank deposit	**3,090**	11,768
Short-term bank deposit with original maturity more than 3 months	**1,000**	1,000
Bank balances and cash	**52,795**	49,443
Club memberships	**600**	600
Unallocated head office and corporate assets	**1,541**	3,321
Consolidated total assets	**320,714**	533,742

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Liabilities		
Reportable segment liabilities	**149,862**	311,596
Obligation with finance leases	**156**	304
Amount due to a director	**68,325**	142,096
Bonds	**40,000**	40,000
Secured loans	**39,898**	62,006
Deferred tax liabilities	**7,673**	6,940
Unallocated head office and corporate liabilities	**9,287**	5,350
Consolidated total liabilities	**315,201**	568,292

The Group has amended the format of management information provided to the chief operating decision marker for the purpose of assessing the performance of the operating segments due to the acquisition of subsidiaries engaged in the provision of property management services.

Geographical information

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, club memberships and deposits for purchase of property, plant and equipment and the location of the operation to which they are allocated in the case of intangible assets. The Group's operations are principally located in Hong Kong, Korea, Canada and the PRC (excluding Hong Kong).

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Hong Kong	**159,723**	207,160	**2,494**	3,189
The PRC (excluding Hong Kong)	**89,375**	87,725	**55,844**	72,064
Korea	**14,464**	70,558	**–**	13
Canada	**42,217**	41,081	**85,064**	83,625
Others	**4,368**	6,735	**–**	–
	310,147	413,259	**143,402**	158,891

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A[1]	**129,956**	170,312
Customer B[1]	**N/A**	89,173
Customer C[1]	**41,013**	N/A

1 Revenue from electronic components segment.

6. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest income from bank deposits	**126**	258
Gain on disposal of property, plant and equipment	**585**	7
Gain on amount due to a director stated at fair value upon initial recognition	**6,688**	5,646
Gain on disposal of a subsidiary	**–**	110
Reversal of impairment loss recognised on trade receivables	**189**	111
Government grants	**2,982**	69
Bargain purchase gain arising on business combination *(note 17)*	**–**	39,056
Others	**1,784**	1,203
	12,354	46,460
Discontinued operation		
Interest income from bank deposits	**–**	3

7. FINANCE COSTS

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Continuing operations		
Interests on:		
– Finance leases	**12**	19
– Secured loans	**10,077**	13,138
– Bonds	**4,550**	2,422
– Imputed interest on amount due to ultimate holding company	**–**	1,624
– Imputed interest on amount due to a director	**3,263**	619
	17,902	17,822

8. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging/(crediting):

	2016 *HK$'000*	2015 *HK$'000* (Restated)
Continuing operations		
Auditors' remuneration	**850**	880
Operating lease charges: minimum lease payments#	**8,573**	8,682
Staff costs *	**120,632**	127,386
– salaries, wages, allowances, long service payment and other benefits in kind	**113,441**	120,810
– retirement schemes contributions	**5,957**	5,823
– Equity-settled share-based payment expenses	**1,234**	753
Cost of inventories*	**157,390**	234,909
Reversal of provision for doubtful debts *(note 13)*	**(189)**	(111)
Bargain purchase gain arising on business combination	**–**	(39,056)
Provision for doubtful debts *(note 13)*	**277**	27
Net foreign exchange loss/(gain)	**219**	(1,873)
Allowance for inventories	**900**	4,341
Reversal of allowance for inventories	**(1,199)**	(1,703)
Depreciation*	**9,668**	10,238
Amortisation of intangible assets *(note 12)*	**4,562**	1,901
Discontinued operation		
Depreciation	**16**	154

Minimum lease payments include an amount of approximately HK$1,497,000 (2015: HK$1,610,000) for staff quarters which is also included and disclosed in staff costs.

* Cost of inventories includes HK$87,345,000 (2015: HK$95,875,000) relating to staff costs, depreciation and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. INCOME TAX EXPENSES

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
PRC Enterprise Income Tax		
Provision for the year	**8,987**	6,098
Deferred tax	**733**	(113)
	9,720	5,985

Notes:

(a) No Hong Kong Profits Tax has been provided in the consolidated financial statements as the Group had no assessable profit in Hong Kong for the years ended 31 December 2016 and 2015.

(b) Provision for the PRC Enterprise Income Tax are calculated at 25% of the estimated assessable profits for both years ended 31 December 2016 and 2015.

(c) Provision for the PRC Enterprise Income Tax for Nuofute Property Management is calculated at 15% of the estimated assessable profits for both years ended 31 December 2016 and 2015. Nuofute Property Management is qualified as a company under the development strategy of the PRC's western region and was able to enjoy a preferential income tax rate of 15%.

(d) The Korea Branches operated in Korea are subject to Korean Corporate Income Tax. The basic Korean Corporate Tax rates for the years ended 31 December 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 years ended 31 December 2016 and 2015.

(e) Canadian Corporation Tax is calculated at Federal tax rate of 15% and British Columbia provincial tax rate of 11% on the estimated assessable profits for the years ended 31 December 2016 and 2015. No provision for taxation has been made as there is no assessable profit for the years ended 31 December 2016 and 2015.

(f) Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

10. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

11. (LOSS)/EARNINGS PER SHARE

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

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
(Loss)/earnings		
(Loss)/profit for the purpose of basic (loss)/earnings per share		
(Loss)/profit for the year attributable to equity shareholders of the Company		
– from continuing operations	**(82,220)**	(29,287)
– from discontinued operation	**56,146**	(3,768)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares as at 31 December	**406,444**	327,897

Diluted (loss)/earnings per share for the years ended 31 December 2016 and 2015 equate the basic (loss)/earnings per share as the Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015. The computation of diluted loss/(earnings) 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 years ended 31 December 2016 and 2015.

12. INTANGIBLE ASSETS

	Customers relationship
	HK$'000
Cost	
As at 1 January 2015	–
Additions through business combination *(note 17)*	45,616
As at 31 December 2015 (Restated), 1 January 2016 and 31 December 2016	45,616
Amortisation	
As at 1 January 2015	–
Charges for the year	1,901
As at 31 December 2015 (Restated) and 1 January 2016	1,901
Charges for the year	4,562
As at 31 December 2016	6,463
Carrying values	
As at 31 December 2016	**39,153**
As at 31 December 2015	**43,715**

The amortisation charge for the year is included in "Other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

The intangible assets have finite useful lives and amortised on a straight-line basis over 10 years.

The customers relationship were acquired from third parties through business combinations (see note 17).

The recoverable amount of the cash-generating units ("CGU") has been determined based on a value-in-use calculation. The calculation uses cash flow projection based on financial budgets approved by management covering a ten-year period with a discount rate of 15.6% (2015: 15.6%) per annum. The cash flows beyond three-year period are extrapolated using a growth rate of 0% (2015: 0%).

Cash flow projections during the budget period for the CGU are based on management's estimate of cash inflows/outflows including revenue and operating expenses. The assumptions and estimation are based on the management's expectation of market development. The management of the Group believes that any reasonably possible change in the key assumptions of the value-in-use calculation would not cause the carrying amount to exceed its recoverable amount.

Management of the Group considered that there is no impairment of its intangible assets as at 31 December 2016 and 2015.

13. TRADE AND OTHER RECEIVABLES

	2016 ***HK$'000***	2015 *HK$'000* (Restated)
Trade receivables *(note a)*		
– with third parties	**58,174**	110,913
– with related companies	**22,276**	17,637
Less: allowance for doubtful debts *(note b)*	**(10,956)**	(10,871)
	69,494	117,679
Deposits and other receivables	**17,059**	27,544
Prepayments	**1,826**	1,680
Total trade and other receivables	**88,379**	146,903

The amount of deposits and other receivables expected to be recovered after more than one year is HK$2,455,000 (2015: HK$Nil). All of the other trade and other receivables, apart from those mentioned are expected to be recovered within one year.

(a) Trade receivables

The Group does not hold any collateral or other credit enhancements over its trade receivables.

The Group allows an average credit period of 0 to 90 days to its trade customers. The following is an ageing analysis of trade receivables, net of allowance for doubtful debts, based on the date of delivery of goods or date of rendering of services which approximated the respective dates on which revenue was recognised.

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Within 90 days	**52,565**	87,563
91 to 180 days	**7,952**	17,111
181 to 365 days	**7,890**	7,811
Over 365 days	**1,087**	5,194
	69,494	117,679

(b) Impairment on trade receivables

Impairment loss in respect of trade receivables is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

At 31 December 2016, the Group's trade receivables of approximately HK$10,956,000 (2015: HK$10,871,000) were individually determined to be impaired.

The movements in allowance for doubtful debts recognised during the year are as follows:

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
As at 1 January	**10,871**	11,087
Exchange adjustments	**(3)**	(132)
Provision for doubtful debts recognised	**277**	27
Reversal of provision for doubtful debts	**(189)**	(111)
As at 31 December	**10,956**	10,871

(c) Trade receivables that are not impaired

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Neither past due nor impaired	**42,384**	50,665
Within 30 days past due	**5,291**	14,148
Over 31 days but within 90 days past due	**7,607**	37,872
Over 91 days but within 365 days past due	**13,922**	10,853
Over 365 days past due	**290**	4,141
Total	**69,494**	117,679

14. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Trade payables	**79,295**	90,742
Construction payables	**–**	35,040
Advanced from third parties	**34,348**	42,337
Accrued expenses and other payables	**35,318**	45,046
	148,961	213,165

The following is an ageing analysis of trade payables, based on the invoice date, at the end of the reporting period.

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Within 90 days	**43,516**	73,046
91 to 180 days	**3,796**	5,651
181 to 365 days	**8,819**	9,596
Over 365 days	**23,164**	2,449
	79,295	90,742

The average credit period on purchases of goods is 0 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

15. SECURED LOANS

As at 31 December 2016, the secured loans were repayable as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year – current portion	**1,933**	62,006
Non-current portion		
After one year but within two years	**2,025**	–
After two years but within five years	**6,671**	–
After five years	**29,269**	–
	37,965	–
	39,898	62,006

In September 2016, the Company signed two mortgage loans facilities with an aggregate principal amount of Canadian dollars ("CAD") 7,000,000 (equivalent to approximately HK$41,300,000). The mortgage loans facilities are secured by land and buildings with carrying amount of approximately HK$82,539,000 repayable within fifteen years and bear an interest rate of 2% plus prime rate per annum and guaranteed by the director, Mr. Shen Ke. The loan facilities will be reviewed periodically until maturity date. In the opinions of the directors of the Company, the effective interest rate of the secured loans approximated to the interest rate of 4.7% per annum for the year ended 31 December 2016.

On 24 December 2014, the Company signed a secured term loan facility ("the Loan") with an aggregate principal amount of US$13,000,000 (equivalent to approximately HK$100,847,000).

The secured term loan facility was secured by land and buildings of approximately HK$80,858,000, guaranteed by Forebase Victoria Holdings Limited, two directors of the Company and a related company. It had a maturity term of two years and borne a fixed interest rate of 14% per annum. The Loan was fully repaid during the year ended 31 December 2016.

16. BONDS

	2016	2015
	HK$'000	*HK$'000*
Bonds carried at fixed coupon rate of 6% per annum	**20,000**	20,000
Bonds carried at fixed coupon rate of 8% per annum	**20,000**	20,000
	40,000	40,000

The Company entered into two placing agreements with a placing agent issued two 6% coupon unlisted bonds on 6 August 2014 and 10 October 2014 with the aggregate principal amount of HK$10,000,000 each within the placing period. The amounts are repayable within 96 months from the date of issue, which are 5 August 2022 and 9 October 2022 respectively.

The Company issued two 8% coupon unlisted bonds with the aggregate 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, which are 22 January 2023 and 31 May 2020 respectively.

The Company issued six 5% coupon unlisted bond with the aggregate principal amount of HK$47,000,000 on 29 March 2016. The amounts were repayable within 36 months from the date of issue, which is 28 March 2019. In addition, the Company issued two 6% coupon unlisted bonds with the aggregate principal amount of HK$20,000,000 on 7 April 2016. The amounts are repayable within 96 months from the date of issue, which is 6 April 2024. The bonds with aggregate principal amount of HK$67,000,000 were fully repaid by allotting and issuing 57,292,000 ordinary shares at HK$1.2 each on 13 October 2016.

17. BUSINESS COMBINATION UNDER COMMON CONTROL

As disclosed in note 2, in January 2016, the Company acquired 100% equity interest in Capital Knight Group by allotting and issuing 71,219,512 new ordinary shares. On 27 January 2016, the shares were allotted and issued at fair value of HK$1.75 each, amounted to approximately HK$124,635,000. Capital Knight acquired 100% equity interest of Nuofute Property Management from independent third parties at a total cash consideration of RMB5,000,000 (equivalent to HK$6,232,000) on 24 July 2015.

Since the Company and Capital Knight are under the common control of Mr. Shen Yong and Ultra Harvest both before and after the acquisition of Capital Knight Group, the acquisition of Capital Knight Group was accounted for as business combination under common control ("Common Control Business Combination"). The details of subsidiaries acquired from Common Control Business Combination is disclosed as follows:

Name of subsidiaries acquired	Place and date of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital	Interest acquired by the Company	Principal activities
Capital Knight Limited	BVI	US$1	100%	Investment holding
Easy Chase Limited	Hong Kong	1 share, HK$1	100%	Investment holding
Wanwei (Chongqing) Business Management Co., Ltd.# 萬瑋（重慶）企業管理有限公司	PRC	US$400,000	100%	Investment holding
Chongqing Wanwei Trading Development Co., Ltd.# 重慶萬瑋貿易發展有限公司	PRC	RMB1,000,000	100%	Investment holding
Nuofute Property Management Co., Ltd.# 重慶諾富特物業管理有限公司	PRC	RMB5,000,000	100%	Property management

For identification purpose only

(a) Common Control Business Combination

The following is the reconciliation of the effect arising from Common Control Business Combination on the consolidated financial statements:

For the year ended 31 December 2015

	The Group (before Common Control Business Combination) *HK$'000*	Capital Knight Group *HK$'000*	Sub-total *HK$'000*	Represented by: The Group (after Common Control Business Combination) from continuing operations *HK$'000*	Discontinued operation *HK$'000*
Revenue	386,114	27,145	413,259	413,259	–
Cost of sales	(385,249)	(16,516)	(401,765)	(401,765)	–
Gross profit	865	10,629	11,494	11,494	–
Other income	7,384	39,079	46,463	46,460	3
Selling and distribution expenses	(10,398)	–	(10,398)	(10,398)	–
Administrative expenses	(36,323)	(849)	(37,172)	(33,401)	(3,771)
Research and development expenses	(5,664)	–	(5,664)	(5,664)	–
Other operating expenses	(12,070)	(1,901)	(13,971)	(13,971)	–
Finance costs	(17,822)	–	(17,822)	(17,822)	–
(Loss)/profit before income tax	(74,028)	46,958	(27,070)	(23,302)	(3,768)
Income tax expenses	(3,628)	(2,357)	(5,985)	(5,985)	–
(Loss)/profit for the year	(77,656)	44,601	(33,055)	(29,287)	(3,768)
Other comprehensive expense					
Items that may be reclassified subsequently to profit or loss:					
– Exchange differences on translation of financial statements of overseas subsidiaries	(22,721)	(615)	(23,336)	(23,336)	–
Other comprehensive expense for the year	(22,721)	(615)	(23,336)	(23,336)	–
Total comprehensive (expense)/income for the year	(100,377)	43,986	(56,391)	(52,623)	(3,768)

As at 31 December 2015

	The Group (before Common Control Business Combination) *HK$'000*	Capital Knight Group *HK$'000*	The Group (after Common Control Business Combination) *HK$'000*
Non-current assets			
Property, plant and equipment	114,291	79	114,370
Club memberships	600	–	600
Intangible assets	–	43,715	43,715
Deposits for purchase of property, plant and equipment	206	–	206
	115,097	43,794	158,891
Current assets			
Inventories	31,212	234	31,446
Properties under development	134,291	–	134,291
Trade and other receivables	127,381	19,522	146,903
Restricted bank deposits	11,768	–	11,768
Short-term bank deposit with original maturity more than three months	1,000	–	1,000
Bank balances and cash	44,039	5,404	49,443
	349,691	25,160	374,851
Current liabilities			
Trade and other payables	208,340	4,825	213,165
Amounts due to related companies	94,334	6,380	100,714
Current taxation	2,413	654	3,067
Obligation under finance leases	148	–	148
Secured loans	62,006	–	62,006
	367,241	11,859	379,100
Net current (liabilities)/assets	(17,550)	13,301	(4,249)
Total assets less current liabilities	97,547	57,095	154,642

As at 31 December 2015

	The Group (before Common Control Business Combination) *HK$'000*	Capital Knight Group *HK$'000*	The Group (after Common Control Business Combination) *HK$'000*
Capital and reserves			
Share capital	99,076	–	99,076
Reserves	(177,612)	43,986	(133,626)
Total equity attributable to equity shareholders of the Company	(78,536)	43,986	(34,550)
Non-current liabilities			
Obligation under finance leases	156	–	156
Amount due to a director	135,829	6,267	142,096
Deferred tax liabilities	98	6,842	6,940
Bonds	40,000	–	40,000
	176,083	13,109	189,192
	97,547	57,095	154,642

The effects of adopting merger accounting for Common Control Business Combination on the Group's basic and diluted loss per share for 2015:

	Impact on basic loss per share in 2015 *HK cents*	Impact on diluted loss per share in 2015 *HK cents*
Reported figures before adjustments (including both continuing and discontinued operations)	(23.68)	(23.68)
Adjustments arising on Common Control Business Combination	13.60	13.60
Restated figures after adjustments (including both continuing and discontinued operations)	(10.08)	(10.08)

(b) The acquisition of Nuofute Property Management

The consideration paid for the acquisition of Nuofute Property Management, the fair value of assets acquired and liabilities assumed at the acquisition date on 24 July 2015 are summarised as follows:

		24 July 2015	
	Carrying amount *HK$'000*	**Fair value adjustments** *HK$'000*	**Total** *HK$'000*
Bank balances and cash	**685**	–	**685**
Property, plant and equipment	**83**	–	**83**
Intangible assets	–	**45,616**	**45,616**
Inventories	**11**	–	**11**
Trade and other receivables	**18,772**	–	**18,772**
Trade and other payables	**(11,489)**	–	**(11,489)**
Deferred tax liabilities	–	**(6,842)**	**(6,842)**
Income tax expenses	**(1,548)**	–	**(1,548)**
Net assets acquired	**6,514**	**38,774**	**45,288**
Purchase consideration settled in cash			**6,232**
Bank balances and cash in subsidiaries acquired			**(685)**
Cash outflow on acquisition of subsidiaries			**5,547**
Total consideration transferred			**6,232**
Net assets acquired			**(45,288)**
Bargain purchase gain arising on the business combination *(note 6)*			**(39,056)**

As a result of the acquisition of Nuofute Property Management, the Group is expected to diversify the business of the Group and enhance the return to the equity shareholders of the Company. No material acquisition-related costs had been incurred in relation to the acquisition. Bargain purchase gain arising on business combination is included in "Other income" in the consolidated profit or loss and other comprehensive income for the year ended 31 December 2015. Bargain purchase gain arising on the acquisition is not expected to be taxable for tax purpose.

Included in revenue and the loss for the year ended 31 December 2015, revenue and a net profit of HK$27,145,000 and HK$7,773,000 respectively were attributable to Nuofute Property Management. If the acquisition had occurred on 1 January 2015, the Group's revenue would have been HK$433,617,000 and loss for the year would have been HK$26,835,000 for the year ended 31 December 2015. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

18. DISPOSAL OF SUBSIDIARIES WITH LOSS OF CONTROL

On 15 April 2016, the Group disposed of its entire equity interest in Best Dollar International Limited and its subsidiaries (collectively as "Best Dollar Group") to an independent third party, at a total cash consideration of HK$50,000,000. Best Dollar Group carried out all of the Group's properties development business, the discontinued operation. The disposal was completed on 15 April 2016.

	2016
	HK$'000
Total consideration received	50,000
Analysis of assets and liabilities over which control was lost	
Bank balances and cash	430
Property, plant and equipment	177
Properties under development	135,371
Deposits, prepayment and other receivables	610
Trade and other payables	(45,689)
Amounts due to related companies	(97,734)
Net liabilities disposed of	(6,835)
Gain on disposal of subsidiaries	
Total cash consideration	50,000
Less:	
– Net liabilities disposed of	(6,835)
– Exchange difference released upon disposal of subsidiaries	319
Gain on disposal of subsidiaries	56,516
Net cash inflow arising from the disposal:	
Cash consideration received	50,000
Cash and cash equivalents disposed of	(430)
Inflow of cash and cash equivalents in respect of disposal of subsidiaries	49,570

The cash (used in)/generated from operating activities, investing activities and financing activities from the discontinued operation were (HK$14,000), (HK$127,000) and HK$Nil respectively (2015: HK$179,000, (HK$5,000) and HK$Nil respectively).

The loss from the discontinued operation for the current and preceding year is analysed as follows:

	From 1 January to 15 April 2016 *HK$'000*	**Year ended 31 December 2015** *HK$'000*
Other income	**–**	3
Administrative expenses	**(370)**	(3,771)
Loss before income tax	**(370)**	(3,768)
Income tax expenses	**–**	–
Loss for the year	**(370)**	(3,768)

	2016 *HK$'000*	**2015** *HK$'000*
Loss from discontinued operation	**(370)**	(3,768)
Gain on disposal of subsidiaries	**56,516**	–
Profit/(loss) from discontinued operation	**56,146**	(3,768)

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (the "Auditor"), to the amounts set out in the Group's draft consolidated financial statements for the year.

The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

DIVIDEND

The Board does not recommend the payment of final dividend in respect of the year ended 31 December 2016 (2015: HK$Nil). The Group's long-term dividend policy is to distribute not less than 30% of its net profit as dividend each financial year, and the Board will review this dividend policy from time to time to ensure optimal returns to shareholders.

ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") will be held at Board Room, Level 1, South Pacific Hotel, 23 Monison Hill Road, Wanchai, Hong Kong on Wednesday, 31 May 2017 at 2:30 p.m. The Notice of AGM will be published on the websites of the Company at www.forebase.com.hk and the Stock Exchange at www.hkexnews.hk, and is intended to be despatched to shareholders on or before Wednesday, 26 April 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 26 May 2017 to Wednesday, 31 May 2017, both days inclusive, during which period, no transfer of shares will be registered. To be eligibility for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 25 May 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Segment Information

Revenue represents sales of electronic components, hotel operating income and property management income. Sales of electronic components accounted for approximately 72.6% (2015: 83.5%) of the total revenue. Revenue decreased by 25.0% to approximately HK$310,147,000 from approximately HK$413,259,000 in 2015 which was due to the decrease in sales of electronic components business during the year.

Cost of Sales

Cost of sales decreased by approximately HK$88,767,000 or 22.1% to approximately HK$312,998,000 which was in line with the decrease in revenue.

Gross (Loss)/Profit

Gross loss in 2016 was mainly attributable to the decrease in sales of electronic components business. Gross profit in 2015 was the net effect of the gross profit in hotel operation and property management of HK$13,786,000 and HK$10,629,000, respectively and gross loss in electronic components business of HK$12,921,000.

Other Income

Other income decreased by approximately HK$34,106,000 from approximately HK$46,460,000 in 2015 to approximately HK$12,354,000 in 2016. The decrease was mainly due to a bargain purchase gain arising on the business combination of approximately HK$39,056,000 was recorded in 2015.

Operating Expenses

Operating expenses during the year amounted to HK$64,101,000 (2015: HK$63,434,000), which had no significant fluctuation.

Finance Costs

The Group's finance costs during the year amounted to HK$17,902,000 (2015: HK$17,822,000), which had no significant fluctuation.

Taxation

Income tax expense increased from approximately HK$5,985,000 in 2015 to approximately HK$9,720,000 in 2016 was mainly attributable to the increase in provision for PRC Enterprise Income Tax of approximately HK$2,889,000 as a result of the increase in taxable profit of the property management segment.

Loss for the Year

As a result of the foregoing combined effects of the above, the Group recorded a net loss of approximately HK$26,074,000.

Liquidity and Financial Resources

As at 31 December 2016, the Group's net current assets and current ratio were approximately HK$16,074,000 and 1.10 respectively (2015: Net current liabilities of approximately HK$4,249,000 and 0.99).

As at 31 December 2016, the Group's bank balances and cash amounted to approximately HK$56,885,000 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 (2015: approximately HK$62,211,000 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 31 December 2016, the Group's bank deposits of approximately HK$3,090,000 (2015: approximately HK$11,768,000) and the land and buildings held for own use of approximately HK$82,539,000 (2015: HK$80,858,000) were pledged to secure banking facilities granted to the Group.

Capital Structure

For the year ended 31 December 2016, the Group financed its liquidity requirements through a combination of cash flow as generated from operations, bank borrowings, secured loans, bonds, advances from a director.

Capital Commitment and Contingent Liabilities

As at 31 December 2016, the Group's had no capital commitments (2015: HK$518,685,000) and operating lease commitments were approximately HK$8,968,000 (2015: approximately HK$15,386,000). As at 31 December 2016 and 2015, the Group did not have any significant contingent liabilities.

BUSINESS REVIEW

Electronic Components Business

As the Group has been facing a sluggish manufacturing business environment mainly brought by the rising market competition and price pressure for the existing products, turnover from the electronic component business decreased by approximately HK$119,829,000 or approximately 34.7% from approximately HK$345,033,000 in 2015 to approximately HK$225,204,000 in 2016. The decline was mainly due to decrease in sales of tablet products and tuner modules for home and car audio for the year ended 31 December 2016. The turnover amount represented approximately 72.6 % of the Group's total turnover.

Hotel Operation Business

Revenue from hotel operation accounted of approximately 13.6% of the total revenue. For the year 2016, the hotel achieved occupancy of 77.4% (2015: 72.5%) and room revenue increased by 9.9% in 2016. However, the growth in room revenue was offset by the devaluation of CAD. The revenue was increased by approximately HK$1,136,000 from approximately HK$41,081,000 in 2015 to approximately HK$42,217,000 in 2016.

Property Management Business

Revenue from property management business amounted to approximately HK$42,726,000, representing an increase of 57.4% against approximately HK$27,145,000 in 2015. The increase was due to the acquisition of Nuofute Property Management in July 2015 of which only 5 months of results was accounted for in 2015 as compared to the entire year being accounted for in 2016. The segmental revenue accounted for approximately 13.8% of the total revenue of the Group.

Staff and Remuneration Policy

As at 31 December 2016, the Group had approximately 1,196 employees, including 1,026 based in the PRC, 38 based in Hong Kong 17 based in Korea and 115 based in Canada. Staff costs for the year ended 31 December 2016 were approximately HK$120,632,000, representing a decrease of approximately HK$6,754,000 as compared to approximately HK$127,386,000 of 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, Canadian Dollar and Korean Won. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investment in foreign operations.

During the years ended 31 December 2016 and 2015, the Group did not enter into any forward foreign currency contracts.

Prospects

In January 2016, the Group completed the acquisition of Nuofute Property Management. Since then the property management segment has become one of the key sources of income to the Group. Management believes that the property management industry in China will continue to growth steadily and this segment will bring stable income to the Group. While exploring new property management projects, the Group will actively consider expanding this segment through acquisitions.

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 has been exploring other investment opportunities in hotel operation, property investment and development in Hong Kong, the PRC and other overseas countries, with an aim to deliver substantial returns for shareholders of the Company through a series of acquisitions and proposed cooperation.

The Group's electronic components business continued to incur losses this year and was the primary reason for the Group's unsatisfactory results for the year. Management has taken various active measures so as to reduce the negative impact of the electronic components business with an aim to bring a turnaround for the Group.

The Group is adjusting its overall operational strategies and considering to invest in several service-oriented industries, including cultural, tourism and healthcare sectors. The objective is to synthesize these new investments with existing businesses to transform the Group into a modern city integrated life service provider and bring satisfactory returns to both the Group and its shareholders.

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 Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange during the year ended 31 December 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 extraordinary general meeting on 22 January 2016 ("the EGM") and annual general meeting on 31 May 2016 (the "AGM"). During the year ended 31 December 2016, certain independent non-executive directors were unable to attend the Company's general meetings due to their unavoidable business engagements.

The Company was arranged and will continue to arrange to furnish all directors (including independent non-executive directors) and (if any) non-executive directors with appropriate information on all general meetings and take all reasonable measures to arrange to schedule in such a way that all directors can attend general meetings, as well as to support non-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. However, Mr. Kaneko Hiroshi, a former executive director of the Company, took chair of the AGM pursuant to the articles of association of the Company to ensure an effective communication with the shareholders of the Company thereat.

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 all directors have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2016.

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 year ended 31 December 2016.

Review of Accounts

The audit committee of the Board, which comprises all independent non-executive directors of the Company, has reviewed the financial results of the Group for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group, and has reviewed and discussed with the management on the effectiveness of the Group's system regarding the internal controls and accounts.

Publication of the Final Results and Annual Report

This 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 annual report is expected to be despatched to shareholders of the Company on or before Wednesday, 26 April 2017, 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, 29 March 2017

As at the date hereof, the executive Directors of the Company are Mr. SHEN Yong, Mr. GAN Lin, Mr. SHEN Ke and Mr. HONG Sang Joon; the non-executive Director of the Company is Mr. HUANG Xiang Yang and the three independent non-executive Directors are Dr. LOKE Yu (alias Loke Hoi Lam), Mr. YU Lei and Mr. Ernst Rudolf ZIMMERMANN.