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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2310)

2018 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of Forebase International Holdings Limited (the "**Company**") hereby announces that the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue		**42,589**	39,817
Cost of sales		**(26,201)**	(23,677)
Gross profit		**16,388**	16,140
Other income		**203**	16
Administrative expenses		**(23,404)**	(20,832)
Finance costs		**(3,032)**	(2,810)
		(9,845)	(7,486)
Share of results of an associate company		**(167)**	–
Loss before income tax	*4*	**(10,012)**	(7,486)
Income tax expenses	*5*	**(1,221)**	(1,307)
Loss from continuing operations		**(11,233)**	(8,793)
Discontinued operations			
Profit from discontinued operations	*14*	–	24,432
(Loss)/Profit for the period		**(11,233)**	15,639

	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**2,631**	3,675
Reclassification adjustments for the cumulative (loss)/gain transferred to profit or loss:			
– Share of other comprehensive income of an associate company		**(628)**	–
– Exchange differences released upon disposal of subsidiaries		**–**	(739)
Other comprehensive income for the period		**2,003**	2,936
Total comprehensive (expense)/income for the period		**(9,230)**	18,575
(Loss)/Earnings per share	*7*	***HK cents***	*HK cents*
Basic and diluted			
– from continuing operations		**(2.06)**	(1.93)
– from discontinued operations		**–**	5.35

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000
Non-current assets			
Property, plant and equipment		**89,336**	92,846
Intangible assets	*8*	**32,311**	34,591
Investment in an associate		**44,486**	–
Other non-current assets		**5,925**	4,084
		172,058	131,521
Current assets			
Inventories		**1,199**	1,524
Trade and other receivables	*9*	**36,101**	32,792
Bank balances and cash		**8,569**	13,027
		45,869	47,343
Current liabilities			
Trade and other payables	*10*	**14,219**	14,573
Amount due to related companies		–	3,590
Tax payables		**11,377**	10,478
Secured loan	*12*	**2,141**	2,059
		27,737	30,700
Net current assets		**18,132**	16,643
Total assets less current liabilities		**190,190**	148,164

	Notes	**30 June 2018** **HK$'000** **(Unaudited)**	31 December 2017 *HK$'000*
Capital and reserves			
Share capital		**327,562**	292,462
Reserves		**(292,303)**	(286,217)
Equity attributable to owners of the Company and total equity		**35,259**	6,245
Non-current liabilities			
Deferred tax liabilities		**6,989**	6,989
Amount due to a director	*11*	**51,534**	45,961
Secured loans	*12*	**36,227**	38,969
Bonds	*13*	**60,181**	50,000
		154,931	141,919
		190,190	148,164

1. BASIS OF PREPARATION

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

The accounting policies and methods of computation used in the preparation of the unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2017.

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") which are first effective for the current accounting period of the Group. The amendments do not have significant impact on the Group's results and financial position for the current or prior periods have been prepared or presented.

The financial information relating to the year ended 31 December 2017 that is included in this results announcement for the six months ended 30 June 2018 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

The Company's auditor has reported on those consolidated financial statements. The auditor's report 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 Hong Kong Companies Ordinance (Chapter 622).

2. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2018

In the current period, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" ("**HKAS 39**"). It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("**FVTPL**") and (3) fair value through other comprehensive income ("**FVTOCI**").

The Group's financial assets previously measured at amortised cost continue with their classification and measurements after the adoption of HKFRS 9, and there was no financial impact on such changes since 1 January 2018.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group does not have any financial liabilities designated at FVTPL and therefore this new requirement does not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. There was no significant impact on the Group's consolidated financial statements after the adpotion of HKFRS 9.

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

In the current period, the Group has applied HKFRS 15 for the first time retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations with no material effect on timing and amount of revenues recognised in the unaudited condensed consolidated financial statements.

The Group recognises revenue from the following major sources:

- Provision of property management services
- Hotel operations

Revenue from the provision of property management services and hotel operations recognised over time will be accounted for under HKFRS15.

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods and services (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

HK(IFRIC) 22, "Foreign currency transactions and advance consideration"

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

Issued but not yet effective HKFRSs

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 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments

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 16 "Leases" ("HKFRS 16")

HKFRS 16 will replace HKAS 17 "Leases" and the related interpretations. Currently the Group classifies leases into operating leases. Once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease. As at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to HK$6,586,000, the majority of which is payable either between 1 and 3 years after the end of the reporting period. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16 in its consolidated financial statements for the year ending 31 December 2018.

3. SEGMENT INFORMATION

The Group is principally engaged in hotel operation and provision of properties 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) Hotel operation

Operation of a resort in Canada.

(2) Property management

Properties management in the PRC.

Discontinued operations

(3) Electronic components

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

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:

– 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.

Six months ended 30 June 2018

	Continuing operations		
	Hotel Operation *HK$'000* (Unaudited)	**Property management** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
Revenue from external customers	**20,362**	**22,227**	**42,589**
Segment profit/(loss)	**(1,412)**	**5,858**	**4,446**
Finance costs	**(1,083)**	**–**	**(1,083)**
Depreciation	**(2,009)**	**(30)**	**(2,039)**
Interest income	**–**	**12**	**12**
Amortisation	**–**	**(2,281)**	**(2,281)**
Segment assets	**91,676**	**67,315**	**158,991**
Additions to non-current segment assets during the period	**1,212**	**12**	**1,224**
Segment liabilities	**6,043**	**7,296**	**13,339**

Six months ended 30 June 2017

	Continuing operations			Discontinued operations	
	Hotel Operation *HK$'000* (Unaudited)	Property management *HK$'000* (Unaudited)	Sub-total *HK$'000* (Unaudited)	Electronic components *HK$'000* (Unaudited)	Total *HK$'000*
Revenue from external customers	19,431	20,386	39,817	100,114	139,931
Segment profit/(loss)	(295)	6,420	6,125	(32,734)	(26,609)
Finance costs	(857)	–	(857)	–	(857)
Depreciation	(1,526)	(29)	(1,555)	(2,698)	(4,253)
Interest income	15	4	19	24	43
Amortisation	–	(2,281)	(2,281)	–	(2,281)
Gain on disposal of property, plant and equipment	–	–	–	152	152
Reversal for provision for doubtful debts	–	–	–	46	46
Allowance for inventories	–	–	–	(724)	(724)
Reversal of allowance for inventories	–	–	–	271	271
Segment assets	95,357	85,391	180,748	–	180,748
Additions to non-current segment assets during the period	650	36	686	–	686
Segment liabilities	6,611	10,292	16,903	–	16,903

Reconciliation of reportable segment profit, assets and liabilities:

	Six months ended 30 June	
	2018 ***HK$'000*** **(Unaudited)**	2017 *HK$'000* (Unaudited)
Loss from continuing operations		
Segment profit	**4,446**	6,125
Depreciation	**(61)**	(74)
Other finance costs	**(1,949)**	(1,953)
Share of results of an associate company	**(167)**	–
Unallocated head office and corporate expenses	**(12,281)**	(11,584)
Consolidated loss before income tax	**(10,012)**	(7,486)

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000
Assets		
Reportable segment assets	**158,991**	161,731
Bank balances and cash	**8,569**	13,027
Investment in an associate	**14,369**	–
Goodwill	**30,117**	–
Amount due from a related company	–	2,522
Unallocated head office and corporate assets	**5,881**	1,584
Consolidated total assets	**217,927**	178,864

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000
Liabilities		
Reportable segment liabilities	**13,339**	16,390
Amount due to a director	**51,534**	45,961
Bonds	**60,181**	50,000
Secured loans	**38,368**	41,028
Deferred tax liabilities	**6,989**	6,989
Unallocated head office and corporate liabilities	**12,257**	12,251
Consolidated total liabilities	**182,668**	172,619

Geographical information

The geographical location of customers is based on the location at which the services were provided. 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 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, Canada and the PRC (excluding Hong Kong).

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

	Revenue from external customers six months ended 30 June		Non-current assets	
	2018	2017	**30 June 2018**	31 December 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)		
Continuing operations				
Hong Kong	**–**	–	**–**	61
The PRC (excluding Hong Kong)	**22,227**	20,386	**32,435**	38,829
Canada	**20,362**	19,431	**89,212**	92,631
	42,589	39,817	**121,647**	131,521

4. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before income tax has been arrived at after charging/(crediting):		
Continuing operations		
Operating lease charges: minimum lease payments	**1,105**	1,227
Staff costs	**24,775**	22,342
Cost of inventories	**3,973**	3,691
Net foreign exchange loss	**(5)**	3
Depreciation	**2,100**	1,629
Amortisation of intangible assets	**2,281**	2,281
Discontinued operations		
Operating lease charges: minimum lease payments	–	2,885
Staff costs	–	54,054
Cost of inventories	–	88,519
Nert foreign exchange (gain)/loss	–	(82)
Reversal of provision for doubtful debts	–	(46)
Allowance for inventories	–	724
Reversal of allowance for inventories	–	(271)
Depreciation	–	2.698

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations		
PRC Corporate Income Tax		
Provision for the period	**1,221**	1,307
	1,221	1,307

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 six months ended 30 June 2018 and 2017.

Except for Nuofute Property Management Co. Ltd.* 重慶諾富特物業管理有限公司 ("**Nuofute Property Management**"), provision for the PRC Corporate Income Tax are calculated at 25% (2017:25%) of the estimated assessable profits for the six months ended 30 June 2018 and 2017.

Provision for the PRC Corporate Income Tax for Nuofute Property Management is calculated at 15% (2017: 15%) of the estimated assessable profits for the six months ended 30 June 2018 and 2017. 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%.

Canadian Corporate Tax is calculated at Federal tax rate of 15% (2017: 15%) and British Columbia provincial tax rate of 11% (2017: 11%) on the estimated assessable profits for the six months ended 30 June 2018 and 2017. No provision for taxation has been made as there is no assessable profit for the six months ended 30 June 2018 and 2017.

** for identification purpose only*

6. DIVIDEND

No dividend was paid, declared or proposed during the interim period (six months ended 30 June 2017: 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 2017: nil).

7. (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 data:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit for the purpose of basic (loss)/earnings per share		
(Loss)/profit for the period attributable to equity shareholders of the Company		
– from continuing operations	**(11,233)**	(8,793)
– from discontinued operations	**–**	24,432
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares as at 30 June	**546,408**	456,408

Diluted (loss)/earnings per share for the six months ended 30 June 2018 and 2017 equate the basic (loss)/earnings per share as the Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2018 and 2017. 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 six months ended 30 June 2018 and 2017.

8. INTANGIBLE ASSETS

	Customers relationship *HK$'000*
Cost	
As at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	45,616
Amortisation	
As at 1 January 2016	1,901
Charges for the year	4,562
As at 31 December 2016 and 1 January 2017	6,463
Charges for the year	4,562
As at 31 December 2017	11,025
Charges for the period	2,280
As at 30 June 2018	**13,305**
Carrying values	
As at 30 June 2018	**32,311**
As at 31 December 2017	**34,591**

The amortisation charge for the year is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income. The customers relationship was acquired from third parties through business combinations. It was amortised on a straight-line basis over 10 years. The remaining useful live of the intangible assets was 7 years. Management of the Group considered that no impairment of intangible assets is necessary as at 30 June 2018 and 31 December 2017.

9. TRADE AND OTHER RECEIVABLES

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000*
Trade receivables	**18,724**	31,697
Less: allowance for doubtful debts	**–**	(5,610)
	18,724	26,087
Deposits and other receivables	**16,737**	5,173
Prepayments	**640**	1,532
Total trade and other receivables	**36,101**	32,792

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 30 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.

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000*
Within 90 days	**3,635**	2,926
91 to 180 days	**2,343**	3,292
181 to 365 days	**5,214**	6,604
Over 365 days	**7,532**	13,265
	18,724	26,087

10. TRADE AND OTHER PAYABLES

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000
Trade payables	**199**	1,903
Accrued expenses and other payables	**14,020**	12,670
	14,219	14,573

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

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000
Within 90 days	**176**	1,878
91 to 180 days	**–**	18
181 to 365 days	**18**	5
Over 365 days	**5**	2
	199	1,903

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.

11. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest bearing at 1.3% per annum and repayable in December 2018.

12. SECURED LOAN

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	
Within one year – current portion	**2,141**	2,059
Non-current portion		
After one year but within two years	**2,191**	2,180
After two years but within five years	**6,572**	7,288
After five years	**27,464**	29,501
	36,227	38,969
	38,368	41,028

In September 2016, the Company signed two mortgage loans facilities with an aggregate principal amount of CAD 7,000,000 (equivalent to approximately HK$41,300,000). The mortgage loans facilities are secured by land and buildings held for own use with carrying amount of approximately HK$87,220,000 (2017: HK$90,023,000) 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 5.5% (2017: 4.8%) per annum for the year ended 31 December 2018.

13. BONDS

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'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
Bonds carried at fixed coupon rate of 3% per annum	**10,000**	10,000
Bonds carried at fixed coupon rate of 3% per annum	**10,181**	–
	60,181	50,000

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 a 3% coupon unlisted bond with the principal amount of HK$10,000,000 on 1 December 2017 to the Company's director, Mr. Shen Ke. The amount is repayable within 84 months from the date of issue, which is 30 November 2024.

The Company issued a 3% coupon unlisted bond with the principal amount of HK$10,181,000 on 6 March 2018. The amount is repayable within 36 months from the date of issue, which is 5 March 2021.

14. DISPOSAL OF SUBSIDIARIES WITH LOSS OF CONTROL

The profit from the discontinued operations is analysed as follows:

	Six months ended 30 June 2017 *HK$'000* (Unaudited)
Loss from discontinued operations	
– Electronic components	(33,182)
	(33,182)
Gain on disposal of subsidiaries	
– Electronic components	57,614
Profit from discontinued operations	24,432

Disposal of Kwang Sung Electronics Holdings Limited

In May 2017, the Group disposed of its entire equity interest in Kwang Sung Electronics Holdings Limited and its subsidiaries (collectively as "**Kwang Sung Group**") to an independent third party, at a total cash consideration of HK$3,000,000. Kwang Sung Group carried out all of the Group's electronic components business. The disposal was completed on 16 June 2017. Please refer to the Company's announcement dated 16 June 2017.

	HK$'000 (Audited)
Total consideration received	3,000
Analysis of assets and liabilities over which control was lost	
Bank balances and cash	14,295
Property, plant and equipment	15,915
Club membership	600
Inventories	37,463
Trade and other receivables	58,355
Amount due from holding company	14,136
Trade and other payables	(171,766)
Net liabilities disposed of	(31,002)
Gain on disposal of subsidiaries	
Total cash consideration	3,000
Less:	
– Net liabilities disposed of	(31,002)
– Novation of amount due from holding company	(14,136)
– Statutory reserve released upon disposal of subsidiaries	(10,215)
– Exchange difference released upon disposal of subsidiaries	739
Gain on disposal of subsidiaries	57,614
Net cash outflow arising from the disposal:	
Cash consideration received	3,000
Cash and cash equivalents disposed of	(14,295)
Outflow of cash and cash equivalents in respect of disposal of subsidiaries	(11,295)

The loss from Kwang Sung Group for the current and preceding year are analysed as follows:

	From 1 January to 16 June 2017 *HK$'000* (Audited)
Turnover	100,114
Cost of Sales	(130,226)
Gross loss	(30,112)
Other income	10,075
Selling and distribution expenses	(4,682)
Administrative expenses	(5,985)
Research and development expenses	(1,639)
Other operating expenses	(391)
Loss before income tax	(32,734)
Income tax expenses	(448)
Loss for the period	(33,182)

Net cashflows attributable to Kwang Sung Group is set out as follows:

	2017 *HK$'000*
Net cash used in operating activities	(4,837)
Net cash generated from investing activities	1,709
Net cash outflows for the year	(3,128)

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

FINANCIAL REVIEW

Revenue represents hotel operating income and property management fee income. Revenue increased by approximately HK$2,772,000 or 7.0% to approximately HK$42,589,000 from HK$39,817,000 in 2017 was mainly attributable to the increase in revenue from property management business as a result of increase in area under management.

Administrative expenses for the six months ended 30 June 2018 increased by approximately HK$2,572,000 or 29.4% as compared with the corresponding period last year. The increase was mainly due to the increase in equity-settled share-based payment expenses as a result of share options granted in May 2018.

The increase in finance costs was due to the increase in interest rate of the secured loan.

Income tax expense decreased to approximately HK$1,221,000 from approximately HK$1,307,000 in the corresponding period last year was mainly due to the decrease in assessable profits of Nuofute Property Management.

As a result of the foregoing combined effects of the above, the Group recorded a loss for the period of approximately HK$11,233,000 as compared to a profit of approximately HK$15,639,000 recorded in the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2018, the Group's net current assets and current ratio were approximately HK$18,132,000 and 1.65 respectively (31 December 2017: approximately HK$16,643,000 and 1.54 respectively).

As at 30 June 2018, the Group's bank and cash balances amounted to approximately HK$8,569,000 (31 December 2017: approximately HK$13,027,000).

Charge on Assets

As at 30 June 2018, the Group's land and buildings held for own use of approximately HK$87,220,000 (31 December 2017: approximately HK$90,023,000) was pledged to secure a secured loan facility granted to the Group.

Capital Structure

For the six months ended 30 June 2018, 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 2018, the Group has no capital commitments (31 December 2017: HK$44,501,000) and approximately HK$6,586,000 (31 December 2017: approximately HK$6,709,000) as operating lease commitments. As at 30 June 2018, the Group did not have any significant contingent liabilities.

Staff and Remuneration Policies

As at 30 June 2018, the Group had approximately 445 employees, including 299 based in the PRC, 10 based in Hong Kong and 136 based in Canada. Staff costs for the six months ended 30 June 2018 were approximately HK$24,775,000, representing an increase of approximately HK$2,433,000 as compared to approximately HK$22,342,000 in the corresponding period last year due to the increase in equity-settled share-based payment expenses as a result of share options granted in May 2018.

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

Foreign Exchange Fluctuation and Hedge

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to Renminbi, United States Dollars and Canadian Dollar. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investment in foreign operations.

During the years ended 31 December 2017 and 2016, the Group did not enter into any forward foreign currency contracts.

BUSINESS REVIEW

Hotel Operation Business

Revenue from hotel operation accounted of approximately 47.8% of the total revenue. For the six months ended 30 June 2018, the hotel achieved occupancy of 75.4% (2017: 73.2%) and revenue increased by 4.8%. The growth was mainly attributable to foreign exchange fluctuations and the revenue was increased by approximately HK$931,000 from approximately HK$19,431,000 for the six months ended 30 June 2017 to approximately HK$20,362,000 for the six months ended 30 June 2018.

Property Management Business

Revenue from property management business accounted of approximately 52.2% of the total revenue. Revenue was increased by approximately HK$1,841,000 or 46.7% from approximately HK$20,386,000 for the six months ended 30 June 2017 to approximately HK$22,227,000 for the six months ended 30 June 2018. The increase was mainly attributable to the increase in area under management by approximately 11.0% from approximately 489,000 sq.m in 2017 to approximately 543,000 sq.m in 2018.

PROSPECTS

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 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 Listing Rules during the six months ended 30 June 2018.

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 2018, 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 2018.

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 2018. 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 2018 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 2018 interim report is expected to be despatched to shareholders on or before 30 September 2018, 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 2018

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