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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2310)

2019 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 2019 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue		**44,099**	42,589
Cost of sales		**(24,830)**	(26,201)
Gross profit		**19,269**	16,388
Other income		**927**	203
Administrative expenses		**(22,563)**	(23,404)
Finance costs		**(2,948)**	(3,032)
		(5,315)	(9,845)
Share of losses of joint ventures		**(61)**	(167)
Loss before income tax	*4*	**(5,376)**	(10,012)
Income tax expenses	*5*	**(589)**	(1,221)
Loss for the period		**(5,965)**	(11,233)

	Notes	Six months ended 30 June **2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'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 operations		**3,358**	2,631
– Share of other comprehensive expense of joint ventures		**(963)**	(628)
Other comprehensive income for the period		**2,395**	2,003
Total comprehensive expense attributable to the equity shareholders of the Company for the period		**(3,570)**	(9,230)
Loss per share	*7*	***HK cents***	*HK cents*
Basic and diluted		**(0.82)**	(2.06)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**30 June 2019 *HK$'000* (Unaudited)**	31 December 2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**87,063**	84,738
Intangible assets	*8*	**27,750**	30,029
Right of use of assets	*2*	**3,718**	—
Interests in joint ventures		**64,709**	44.604
		183,240	159,371
Current assets			
Inventories		**818**	837
Trade and other receivables	*9*	**33,047**	37,712
Bank balances and cash		**7,946**	7,757
		41,811	46,306
Current liabilities			
Trade and other payables	*10*	**16,792**	11,972
Contract liabilities		**2,246**	5,019
Amount due to related companies		**—**	7,157
Lease liabilities	*2*	**1,701**	—
Tax payables		**9,652**	11,596
Secured loan	*12*	**2,099**	2,012
		32,490	37,756
Net current assets		**9,321**	8,550
Total assets less current liabilities		**192,561**	167,921
Non-current liabilities			
Deferred tax liabilities		**6,304**	6,305
Amount due to a director	*11*	**4,289**	3,315
Secured loans	*12*	**34,359**	34,001
Bonds	*13*	**60,181**	60,181
Lease liabilities	*2*	**2,086**	—
		107,219	103,802
		192,561	167,921
Net assets		**9,321**	8,550

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000
Capital and reserves		
Share capital	**388,883**	368,984
Reserves	**(303,541)**	(304,865)
Total equity attributable to equity shareholders of the Company	**85,342**	64,119

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 2018, except for those that relate to new or revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective for the first time for periods beginning on or after 1 January 2019. Details of these relevant changes are set out in note 2.

The financial information relating to the year ended 31 December 2018 that is included in this results announcement for the six months ended 30 June 2019 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 2018 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. CHANGES IN ACCOUNTING POLICIES AND ADOPTION OF AMENDED HKFRSs

The HKICPA has issued a number of new or revised HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

Except for the impact of the adoption of HKFRS 16 Leases as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and do not contain a purchase option ("**short-term leases**") and leases contracts for which the underlying asset is of low value ("**low value assets**"). The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019.

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised HK$3,718,000 of right-of-use assets and HK$3,787,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and interest expenses, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised HK$858,000 of depreciation charges and HK$128,000 of interest expenses from these leases.

The adoption of HKFRS 16 has no significant impact on earnings per share for the period. HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Any prepaid rent and accrued rent were recognised under trade and other receivables and trade and other payables, respectively. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Transitional impact

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average of the incremental borrowing rates used for determination of the remaining lease payments was approximately 5.125%.

To ease the transition to HKFRS 16, the Group applied a practical expedient at the date of initial application of HKFRS 16 whereby it elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019.

Based on the foregoing, as at 1 January 2019:

– Right-of-use assets of HK$4,576,000 were recognised and presented separately in the consolidated statement of financial position.

– Lease liabilities of HK$4,604,000 were recognised and presented separately in the consolidated statement of financial position.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	**5,041**
Discounting using incremental borrowing rates as at 1 January 2019	**437**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	**4,604**

Set out below are the new accounting policies of the Group upon adoption of HKFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments payable over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Amounts recognised in the unaudited condensed consolidated statement of financial position and unaudited condensed consolidated statement of profit or loss and comprehensive income

The movements of the carrying amounts of the Group's right-of-use assets and lease liabilities during the period are set out below:

	Right of use assets	Lease Liabilities
	HK$'000	*HK$'000*
As at 1 January 2019	4,576	4,604
Additions	–	–
Depreciation expense	(858)	–
Interest expense	–	128
Payments	–	(945)
As at 30 June 2019	3,718	3,787

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.

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.

All assets are allocated to reportable segments other than bank balances and cash, interests in joint ventures, amounts due from related companies and unallocated head office and corporate assets; and all liabilities are allocated to reportable segments other than unallocated head office and corporate liabilities, deferred tax liabilities, amount due to a director, secured loans and bonds.

Six months ended 30 June 2019

	Hotel Operation *HK$'000* **(Unaudited)**	**Property management** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Revenue from external customers	**20,302**	**23,797**	**44,099**
Segment profit/(loss)	**(401)**	**9,497**	**9,096**
Finance costs	**(1,083)**	**—**	**(1,083)**
Depreciation	**(1,571)**	**(28)**	**(1,599)**
Interest income	**—**	**8**	**8**
Amortisation	**—**	**(2,281)**	**(2,281)**
Segment assets	**88,823**	**59,707**	**148,530**
Additions to non-current segment assets during the period	**458**	**7**	**465**
Segment liabilities	**6,047**	**5,684**	**11,731**

Six months ended 30 June 2018

	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

Reconciliation of reportable segment profit, assets and liabilities:

	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Loss from operations		
Segment profit	**9,096**	4,446
Depreciation	**(858)**	(61)
Other finance costs	**(1,866)**	(1,949)
Share of losses of joint ventures	**(61)**	(167)
Unallocated head office and corporate expenses	**(11,687)**	(12,281)
Consolidated loss before income tax	**(5,376)**	(10,012)

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000
Assets		
Reportable segment assets	**148,530**	150,697
Bank balances and cash	**7,946**	7,757
Amount due from a related company	**—**	648
Interests in joint ventures	**64,709**	44,604
Right of use of assets	**3,718**	—
Unallocated head office and corporate assets	**148**	1,971
Consolidated total assets	**225,051**	205,677

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000
Liabilities		
Reportable segment liabilities	**11,731**	22,749
Amount due to a director	**4,289**	3,315
Bonds	**60,181**	60,181
Secured loans	**36,458**	36,013
Lease liabilities	**3,787**	—
Deferred tax liabilities	**6,304**	6,305
Unallocated head office and corporate liabilities	**16,959**	12,995
Consolidated total liabilities	**139,709**	141,558

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	
	2019	2018	**30 June 2019**	31 December 2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)		
Hong Kong	**—**	—	**23,618**	—
The PRC (excluding Hong Kong)	**23,797**	22,227	**72,784**	74,760
Canada	**20,302**	20,362	**86,838**	84,611
	44,099	42,589	**183,240**	159,371

4. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs	**23,878**	24,775
Cost of inventories	**3,728**	3,973
Net foreign exchange loss	**—**	(5)
Depreciation	**2,457**	2,100
Amortisation of intangible assets	**2,281**	2,281

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PRC Corporate Income Tax		
Provision for the period	**589**	1,221
	589	1,221

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 2019 and 2018.

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 2019 and 2018.

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 2019 and 2018. 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 2019 and 2018. No provision for taxation has been made as there is no assessable profit for the six months ended 30 June 2019 and 2018.

6. DIVIDEND

No dividend was paid, declared or proposed during the interim period (six months ended 30 June 2018: 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 2018: nil).

** for identification purpose only*

7. LOSS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic loss per share		
Loss for the period attributable to equity shareholders of the Company	**(5,965)**	(11,233)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares as at 30 June	**728,585**	546,408

Diluted loss per share for the six months ended 30 June 2019 and 2018 equate the basic loss per share as the Group's share options were not included in the calculation of diluted loss per share because they are anti-dilutive.

8. INTANGIBLE ASSETS

	Customers relationship
	HK$'000
Cost	
As at 1 January 2017, 31 December 2017, 1 January 2018, 31 December 2018 and 30 June 2019	45,616
Amortisation	
As at 1 January 2017	6,463
Charges for the year	4,562
As at 31 December 2017 and 1 January 2018	11,025
Charges for the year	4,562
As at 31 December 2018	15,587
Charges for the period	2,281
As at 30 June 2019	**17,866**
Carrying values	
As at 30 June 2019	**27,750**
As at 31 December 2018	**30,029**

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 6 years.

Management of the Group considered that no impairment of intangible assets is necessary as at 30 June 2019 and 31 December 2018.

9. TRADE AND OTHER RECEIVABLES

	30 June 2019 *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000*
Trade receivables	**23,727**	27,122
Deposits and other receivables	**8,473**	2,724
Amount due from a third party	**—**	6,004
Amounts due from related companies	**—**	648
Prepayments	**847**	1,214
Total trade and other receivables	**33,047**	37,712

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 2019 *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000*
Within 90 days	**5,022**	1,176
91 to 180 days	**2,437**	1,086
181 to 365 days	**5,186**	2,633
Over 365 days	**11,082**	22,227
	23,727	27,122

10. TRADE AND OTHER PAYABLES

	30 June 2019 *HK$'000* (Unaudited)	31 December 2018 *HK$'000*
Trade payables	**556**	1,234
Accrued expenses and other payables	**16,236**	10,738
	16,792	11,972

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

	30 June 2019 *HK$'000* (Unaudited)	31 December 2018 *HK$'000*
Within 90 days	**124**	1,227
91 to 180 days	**378**	—
181 to 365 days	**51**	4
Over 365 days	**3**	3
	556	1,234

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 2.7% per annum and repayable in June 2021.

12. SECURED LOAN

	30 June 2019 *HK$'000* (Unaudited)	31 December 2018 *HK$'000*
Within one year – current portion	**2,099**	2,012
Non-current portion		
After one year but within two years	**2,099**	2,122
After two years but within five years	**6,568**	7,110
After five years	**25,692**	24,769
	34,359	34,001
	36,458	36,013

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$85,434,000 (2018: HK$82,956,000) repayable within fifteen years and bear an interest rate of 2% plus prime rate per annum and guaranteed by a former 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 5.3% (2018: 5.5%) per annum for the year ended 31 December 2019.

13. BONDS

	30 June 2019 *HK$'000* **(Unaudited)**	31 December 2018 *HK$'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**	10,181
	60,181	60,181

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 Mr. Shen Ke who resigned as a director of the Company on 21 September 2018. The amount is repayable within 84 months from the date of issue, which is 30 November 2024.

The Company issued a bond with the principal amount of HK$10,181,000 as part of the consideration in respect of the acquisition of the joint ventures in 2018. The bond bears interest rate at 3% per annum and is unsecured. The amount is repayable within 36 months from the date of issue, which is 5 March 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

FINANCIAL REVIEW

Revenue represents hotel operating income and property management fee income. Revenue increased by approximately HK$1,510,000 or 3.5% to approximately HK$44,099,000 from HK$42,589,000 in 2018 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 2019 decreased by approximately HK$841,000 or 3.6% as compared with the corresponding period last year. The decrease was mainly due to the decrease in staff costs as a results of decrease in number of employees.

Finance costs was consistent with previous year.

Income tax expense decreased to approximately HK$589,000 from approximately HK$1,221,000 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$5,965,000 as compared to a loss of approximately HK$11,233,000 recorded in the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2019, the Group's net current assets and current ratio were approximately HK$9,321,000 and 1.29 respectively (31 December 2018: approximately HK$8,550,000 and 1.23 respectively).

As at 30 June 2019, the Group's bank and cash balances amounted to approximately HK$7,946,000 (31 December 2018: approximately HK$7,757,000).

Charge on Assets

As at 30 June 2019, the Group's land and buildings held for own use of approximately HK$85,434,000 (31 December 2018: approximately HK$82,956,000) was pledged to secure a secured loan facility granted to the Group.

Capital Structure

For the six months ended 30 June 2019, 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 2019, the Group has no capital commitments (31 December 2018: nil). As at 30 June 2019, the Group did not have any significant contingent liabilities.

Staff and Remuneration Policies

As at 30 June 2019, the Group had approximately 345 employees, including 203 based in the PRC, 12 based in Hong Kong and 130 based in Canada. Staff costs for the six months ended 30 June 2019 were approximately HK$23,878,000, representing a decrease of approximately HK$897,000 as compared to approximately HK$24,775,000 in the corresponding period last year due to the decrease in employees service rendered in property management business.

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 2018 and 2017, the Group did not enter into any forward foreign currency contracts.

BUSINESS REVIEW

Hotel Operation Business

Revenue from hotel operation accounted of approximately 46.0% of the total revenue. For the six months ended 30 June 2019, the hotel achieved occupancy of 85.2% (2018: 75.4%) and revenue increased by 13.0%. However, the growth in room revenue was offset by foreign exchange fluctuations and the revenue was decreased slightly by approximately HK$60,000 from approximately HK$20,362,000 for the six months ended 30 June 2018 to approximately HK$20,302,000 for the six months ended 30 June 2019.

Property Management Business

Revenue from property management business accounted of approximately 54.0% of the total revenue. Revenue was increased by approximately HK$1,570,000 or 7.1% from approximately HK$22,227,000 for the six months ended 30 June 2018 to approximately HK$23,797,000 for the six months ended 30 June 2019. The increase was mainly attributable to the increase in area under management by approximately 4.1% from approximately 543,000 sq.m in 2018 to approximately 565,500 sq.m in 2019.

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 2019.

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 2019, 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 2019.

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 2019. 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 2019 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 2019 interim report is expected to be despatched to shareholders on or before 30 September 2019, which will be also made available on the websites of the Company and the Stock Exchange.

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

Hong Kong, 28 August 2019

As at the date hereof, the executive Directors of the Company are Mr. SHEN Yong, Mr. PANG Huankun and Ms. WANG Yi Ya;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.