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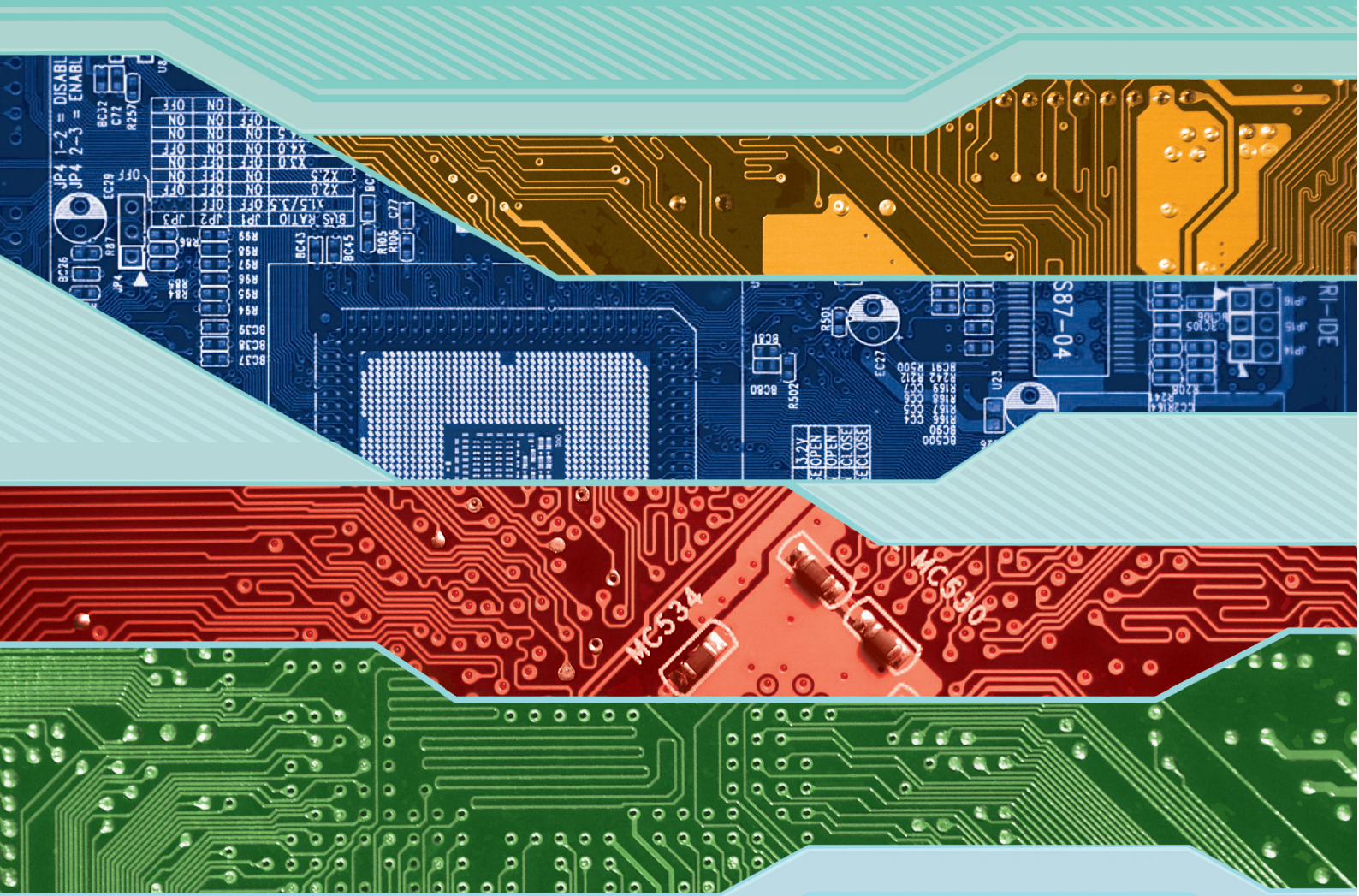
TOPSEARCH

Topsearch International (Holdings) Limited

至卓國際（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)



2016 Interim Report

**For identification purposes only*

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Chairman's Statement

FINANCIAL PERFORMANCE

Compared with the unaudited condensed consolidated interim results for the corresponding period in 2015, the revenue of Topsearch International (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016 (the "Period") decreased. The Group's profit before income tax expense for the Period was approximately HK\$8.6 million after taking into account of the special gain attributable to the disposal of subsidiaries and an associate, as compared with the profit before income tax expense (after taking into account of the special gain attributable to the disposal of an associate) of approximately HK\$63.8 million for the corresponding period of 2015. Earnings per share attributable to owners of the Company was Hong Kong 0.79 cents for the Period, as compared with the earnings per share attributable to owners of the Company of Hong Kong 4.99 cents for the corresponding period of 2015.

DIVIDEND

The board of directors (the "Board" or "Directors") of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (2015: HK\$Nil).

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of a broad range of printed circuit boards (the "PCB") during the Period.

In fact, the Group was still facing the difficulty arising from the reduction in world-wide demand for personal computers which led to reduction in the demand for their ancillary parts and equipment including Hard Disk Drives, which has been the Group's major products supplied to our customers, leading to a comparatively low sales revenue for the Period. Therefore, the Group had just been able to achieve sales turnover of approximately HK\$247 million for the Period, representing a decrease of approximately 15.7% as compared to the corresponding period of 2015. In the meantime, the Group's gross profit increased by 161.7% and its gross profit margin increased from 3.9% to 12.0% mainly due to the Group's effective costs saving and the recent depreciation in Renminbi ("RMB").

Additionally, the Group's profit for the Period decreased significantly as compared to the corresponding period of 2015 was mainly due to a gain on disposal of an associate of approximately HK\$175 million was recognised in the prior period. No similar gain was recognised during the Period.

Other than the above-mentioned and those discussed in note 22 to the unaudited condensed consolidated financial statements, there have been no material changes in respect of such matters disclosed in the Chairman's Statement of 2015 Annual Report of the Company under the subject headed "Business Review".

PROSPECT

During the Period, the Group has replaced almost all the business from its customers in the Hard Disk Drive ("HDD") industry by other industries of which the contribution from the HDD industry just represented a negligible percentage of its total revenue for the Period and also led to a decrease in revenue when compared to the first and second halves of 2015. However, with a more competitive pricing and a re-engineered quality system and execution being achieved during the last few months, the Group is ready to take up more businesses from current and new customers in other industries. Accordingly, it is expected that the Group's revenue will gradually recover in the short- and medium-terms, and so its bottom-line performances.

Moreover, as further detailed in the Company's announcement dated 23 March 2016, the Company's management will actively develop its new line of business on assets and funds management as well as conducting financial investments including but not limited to securities, bonds and debentures on discretionary basis. As at the date of this interim report, the Company, through its indirect wholly-owned subsidiary, Hong Kong Bridge Investments Limited ("HKBI"), has submitted its application to the Securities and Futures Commission ("SFC") for the necessary licenses to conduct type 4 (advising on securities) and type 9 (asset management) regulated activities at the end of April 2016. On 16 August 2016, the SFC issued a letter to HKBI and stated that the SFC intended to grant the licence to HKBI subject to acceptance by HKBI on certain conditions. HKBI has accepted those conditions in writing to the SFC and does not expect any legal impediments to obtaining the licenses. In this connection, HKBI is in the process of conducting internal preparatory work to conduct the asset management business. The Group would also consider to acquire assets and/or businesses from independent third parties as and when appropriate, so as to build the assets and profitability of the Group and enhance the return to the shareholders of the Company. It is expected that a separate business segment on asset management and/or financial investment will be reflected in the consolidated financial statements by the end of 2016.

APPRECIATION

On behalf of the Board, I would like to extend my gratitude and sincere appreciation to all management and staff members for their diligence and dedication, and also to our business partners and the Company's shareholders for their continuing support.

On behalf of the Board

Liu Tingan

Chairman and Chief Executive Officer

Hong Kong, 17 August 2016

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and financial resources

The Group generally finances its operations through a combination of internally generated cash flows, shareholders' equity, borrowings from bank, finance leases, and shareholder's loans.

As at 30 June 2016, the Group recorded shareholders' funds of approximately HK\$484 million (31 December 2015: HK\$340 million). The increase was mainly due to the completion of placement of shares of the Company on 9 March 2016.

As at 30 June 2016, the Group's net current assets of approximately HK\$205 million (31 December 2015: HK\$53 million) consisted of current assets of approximately HK\$639 million (31 December 2015: HK\$515 million) and current liabilities of approximately HK\$434 million (31 December 2015: HK\$462 million), representing a current ratio of 1.47 (31 December 2015: 1.11).

As at 30 June 2016, the Group's current assets consisted of approximately HK\$438 million (31 December 2015: HK\$97 million) of cash and cash equivalents, of which 37% was in Hong Kong dollars ("HKD"), 8% was in United States dollars ("USD"), and 55% was in RMB.

Interest-bearing bank and other borrowings

As at 30 June 2016, the Group had interest-bearing bank and other borrowings as follows:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Repayable:		
Within one year	248,797	250,546
In the second year	50	574
In the third to fifth years, inclusive	—	—
	248,847	251,120
<i>Less: Portion classified as current liabilities</i>	248,797	250,546
Portion classified as non-current liabilities	50	574

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Interest-bearing bank and other borrowings (continued)

Of the total interest-bearing bank and other borrowings, HKD denominated borrowings accounted for 35% (31 December 2015: 36%), USD denominated borrowings accounted for 17% (31 December 2015: 15%), and the remaining 48% was RMB denominated borrowings (31 December 2015: 49%) as at 30 June 2016.

Bank loans of HK\$34,884,000 (31 December 2015: HK\$115,294,000) carried floating interest rates and the effective interest rates ranged from 5.5% to 5.75% (31 December 2015: ranged from 5.35% to 6.15%) per annum. The remaining bank loans of HK\$119,501,000 (2015: HK\$37,216,000) carried fixed interest rates ranged from 1.44% to 4.35% (31 December 2015: ranged from 1.2% to 1.93%) per annum. Other borrowings include loans from a director of HK\$92,532,000 (31 December 2015: shareholder's loans of HK\$94,698,000), which bore interest at a fixed rate of 7% (31 December 2015: 7%) per annum, and obligation under finance leases. The Board does not recognise a significant seasonality of borrowing requirements.

As at 30 June 2016 and 31 December 2015, the bank loans and other borrowings of the Group are secured by:

- (i) certain buildings and payments for leasehold land held for own use under operating leases held by the Group;
- (ii) the assignment of trade receivables of a subsidiary of the Group; and
- (iii) corporate guarantee of the Company.

The Group's bank loans that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Denominated in USD	40,432	37,216

Management Discussion and Analysis

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in the paragraphs under “Business Review” in the Chairman’s Statement of 2015 Annual Report of the Company about the disposal of subsidiaries and an associate by the Group and note 22 to the unaudited condensed consolidated financial statements regarding the acquisition of the Target Company, the Group neither held any significant non-consolidated investments nor underwent any material acquisitions or disposals of subsidiaries and associates during the first half year of 2016.

FOREIGN EXCHANGE EXPOSURE

Sales of the Group’s products are principally denominated in USD and the purchases of materials and payments of operational expenses are mainly denominated in USD, HKD and RMB. Approximately 72% of the Group’s purchases and 73% of the Group’s expenses are denominated in RMB. The Group currently does not have a foreign currency hedging policy. However, the Group’s management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure to minimise exchange risk should the need arise.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2016, the Group had approximately 1,660 (31 December 2015: 1,885) employees. For the Period, the Group’s total staff costs amounted to HK\$69 million (six months ended 30 June 2015: HK\$80 million).

There have been no material changes to the information disclosed in the 2015 Annual Report in respect of the share option scheme (which has been expired), remuneration policies and staff training and development of the Group except for the adoption of the Share Award Scheme on 17 May 2016 as detailed in note 17 to the unaudited condensed consolidated financial statements.

Reference is made to the poll results announcement dated 20 July 2016, in which the Company announced that, among other things, all resolutions in relation to the approval of the grant of special mandate to the directors of the Company to allot and issue the Award Shares in accordance with the terms of the Share Award Scheme, to a trustee to hold on trust for Mr. Liu Tingan, who is a director and a connected person to the Company (as defined in Chapter 14A of the Listing Rules) upon satisfaction of vesting conditions, were duly approved by independent shareholders at the special general meeting held on 20 July 2016. Further details in relation to the Share Award Scheme and the grant of Award Shares to Mr. Liu Tingan are set out in the Company’s circular dated 5 July 2016.

Management Discussion and Analysis

CAPITAL COMMITMENTS

As at 30 June 2016, the Group's capital commitments contracted but not provided for amounted to approximately HK\$3.4 million (31 December 2015: approximately HK\$0.4 million) and there was no capital commitments authorised but not contracted for (31 December 2015: Nil). All these capital commitments were related to acquisition of plant and machinery.

Disclosure of Additional Information

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 20 to the unaudited condensed consolidated financial statements, no contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

1. Directors' interests in Shares

During the period from 1 January 2016 to 14 January 2016, the interests and short positions of the Directors, the chief executive of the Company or their respective associates in the share capital, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) The Company

Name of director	Nature of interest		Number of ordinary shares held	Percentage of issued capital
Mr. Cheek Ho Fung	Direct	Long position	78,250,000	7.83%
	<i>Note</i> Deemed	Long position	432,000,000	43.20%
Total			510,250,000	51.03%

Note: These shares were owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheek Ho Fung and as to 51% jointly by Mr. Cheek Ho Fung and his spouse Mrs. Cheek Chu Wai Min.

Disclosure of Additional Information

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

1. Directors' interests in Shares (continued)

(b) Associated Corporation — Inni International Inc.

Name of director		Nature of interest	Number of ordinary shares held	Percentage of issued capital
Mr. Cheek Ho Fung		Direct	12,250	49.00%
	Note	Deemed	12,750	51.00%
Total			25,000	100.00%

Note: These shares are jointly owned by Mr. Cheek Ho Fung and his spouse, Mrs. Cheek Chu Wai Min.

(c) Subsidiary — Topsearch Industries (Holdings) Limited

Name of director		Nature of interest	Number of deferred shares held	Percentage of total deferred shares issued
Mr. Cheek Ho Fung		Direct	2,000,100	10.00%
	Note	Deemed	17,999,900	90.00%
Total			20,000,000	100.00%

Note: These shares were owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheek Ho Fung and as to 51% jointly by Mr. Cheek Ho Fung and his spouse, Mrs. Cheek Chu Wai Min.

Disclosure of Additional Information

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

2. Directors' Interests in Share Options of the Company

As at 30 June 2016, none of the Company's directors held share options of the Company because the Company's share option scheme had been expired on 30 May 2012.

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executives of the Company or their respective associates had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

Long positions in Shares:

During the period from 1 January 2016 to 14 January 2016, the interests or short positions of every person holding 5% or more in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholders	Notes		Number of ordinary shares held	Percentage of issued capital
Inni International Inc.	Direct	Long position	432,000,000	43.20%
Mr. Cheok Ho Fung	Direct	Long position	78,250,000	7.83%
	(i) Deemed	Long position	432,000,000	43.20%
		Total	510,250,000	51.03%
Mrs. Cheok Chu Wai Min	(ii) Deemed	Long position	510,250,000	51.03%

Disclosure of Additional Information

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in Shares: (continued)

Notes:

- (i) The above interest in the name of Inni International Inc. is disclosed as interest of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".
- (ii) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The shareholdings stated as held by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represent the same block of shares, which were also included as interests of Mr. Cheok Ho Fung as disclosed in the above section headed "Directors' Interests in Shares and Underlying Shares".

Save as disclosed above, during the period from 1 January 2016 to 14 January 2016, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' Interest in Shares and Underlying Shares" above had registered an interests or short position in the shares or underlying shares of the Company that are required to be recorded pursuant to Section 336 of the SFO.

As at 30 June 2016, the interests or short positions of every person holding 5% or more in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholders	Notes			Number of ordinary shares held as at the date of this report	Percentage of Issued capital as at the date of this report
Youfu Investment Co., Ltd.		Direct	Long position	340,192,667	28.35
Mr. Sun Mingwen	(1)	Deemed	Long position	340,192,667	28.35
Zhisheng Enterprise Investment Co., Ltd.		Direct	Long position	170,097,333	14.17
Ms. He Yeqin	(2)	Deemed	Long position	170,097,333	14.17
China Aim Holdings Limited		Direct	Long position	200,000,000	16.67
Ms. Liu Hui	(3)	Deemed	Long position	200,000,000	16.67

Disclosure of Additional Information

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in Shares: (continued)

Notes:

1. Mr. Sun Mingwen is the beneficial owner of the entire issued share capital of Youfu Investment Co., Ltd. and is deemed to be interested in the 340,192,667 Shares, representing approximately 28.35% of the total issued Shares as at 30 June 2016, held by Youfu Investment Co, Ltd. under the SFO.
2. Ms. He Yeqin is the beneficial owner of the entire issued share capital of Zhisheng Enterprise Investment Co., Ltd. and is deemed to be interested in the 170,097,333 Shares representing approximately 14.17% of the total issued Shares as at 30 June 2016, held by Zhisheng Enterprise Investment Co., Ltd. under the SFO.
3. Ms. Liu Hui is the beneficial owner of the entire issued share capital of China Aim Holdings Limited and is deemed to be interested in the 200,000,000 Shares, representing approximately 16.67% of the total issued shares as at 30 June 2016, held by China Aim Holdings Limited under the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company, the life of which is 10 years from its date of adoption on 30 May 2002, expired on 30 May 2012. The Board considered at its meeting and resolved not to propose any new share option scheme for the Company at this moment until otherwise further determined by the Board in future.

SHARE AWARD SCHEME

On 17 May 2016, the Company adopted a share award scheme (the "Share Award Scheme"), pursuant to which the Board may propose or determine the grant of the Company's shares to any Directors, employees or third party service providers of the Group as their incentives and rewards so as (i) to provide them with an opportunity to acquire a proprietary interest in the Company; (ii) to encourage and retain such individuals to work with the Company; and (iii) to provide additional incentive for them to achieve performance goals, subject to such conditions as the Board may deem appropriate at its discretion. Further details of the Share Award Scheme were set out in note 17 to the unaudited condensed consolidated financial statements.

MATERIAL CHANGES

Save as disclosed in note 22 to the unaudited condensed consolidated financial statements, there has been no material change in respect of any other matters since the publication of the Company's 2015 Annual Report.

Disclosure of Additional Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are of the opinion that the Company has properly operated in accordance with the Corporate Governance Code and Corporate Governance Report (the "CG Code") during the Period which sets out (a) code provisions (which are expected to comply with); and (b) recommended best practices (which are for guidance only) in Appendix 14 of the Listing Rules. The Company has complied with the code provisions and some of the recommended best practices except for one deviation of code provisions as stated in the section headed "Compliance with CG Code" below.

The Board is committed to the principles of transparency, accountability and independence highlighted by the CG Code to better enhance the shareholders' value and proper management of corporate assets in the following ways:

1. ensuring the decision-making process, risk management process, internal controls, disclosure of information and the communication with stakeholders are carried out in accordance with good management practices and compliance with the respective regulatory standards;
2. cultivating a culture of integrity, transparency and accountability for the Company, its staff and Directors and emphasising the importance of their roles in such an environment; and
3. adopting quality standards widely recognised to foster quality management in every aspect of daily operations to enhance the performance and value of the Company as a whole.

The Company has in practice complied with the new requirements under the amendments to C.3.3 of the CG Code relating to risk management and internal control since 1 January 2016. The Board has adopted new terms of reference for the audit committee on 17 August 2015 to comply with the new requirements under the amendments to C.3.3 of the CG Code.

Disclosure of Additional Information

CODE ON CORPORATE GOVERNANCE PRACTICES (continued)

Compliance with CG Code

The Directors confirm that, the Company has complied with the code provisions set out in the CG Code during the Period save for the deviation mentioned below.

During the Period, Mr. Liu Tingan was appointed as the Chairman as well as the Chief Executive Officer of the Company in place of Mr. Cheok Ho Fung on 22 March 2016. This arrangement deviates from provision A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Directors are of the opinion that the current arrangement will provide stronger leadership for managing the Group and will enable effective business planning. The Directors believe that it does not have a material adverse impact on the corporate governance of the Company.

The Board will carry out a regular review and propose any amendment, if necessary, to ensure compliance with the CG Code provisions as set out in the Listing Rules.

Internal Control

The audit committee receives the delegated responsibility from the Board to assure that the Group has followed adequate internal controls. Furthermore, the audit committee has continued to review the Group's internal control approach and reports submitted by the Group's internal control responsible teams. Details of the Group's internal control system were set out in the Corporate Governance Report of the Company's 2015 Annual Report under the subject headed "Corporate Management and Internal Control".

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted its own code of conduct (the "Own Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

The Company, having made specific enquiries, confirms that members of the Board have complied with the Own Code throughout the Period. Members of the Company's management, who, due to their positions in the Company, are likely to be in possession of inside information, have also complied with the provisions of the Own Code.

Disclosure of Additional Information

THE BOARD OF DIRECTORS

As at the date of this interim report, the Board consists of six Directors with a variety and a balance of skills and experience in accounting, manufacturing, marketing, finance, banking and investment professions. Their brief biographical particulars are set out in the 2015 Annual Report and recently published announcements dated 8 April 2016 and 3 August 2016. The detailed composition of the Board as at the date of this interim report is as follows:

Name of Director	Position
Executive Directors	
Mr. Liu Tingan (appointed on 22 March 2016)	Chairman of the Board and the executive committee, and Chief Executive Officer
Mr. Cheok Ho Fung	Deputy Chairman of the Board and member of the executive committee
Mr. Zhou Huorong (appointed on 3 August 2016)	Member of the executive committee
Independent Non-Executive Directors	
Mr. Ng Man Kung (appointed on 22 March 2016)	Chairman of nomination committee, and member of audit committee and remuneration committee
Dr. Ngai Wai Fung (appointed on 22 March 2016)	Chairman of remuneration committee, and member of audit committee and nomination committee
Mr. Lau Fai Lawrence (appointed on 22 March 2016)	Chairman of audit committee, member of nomination committee and remuneration committee

Disclosure of Additional Information

THE BOARD OF DIRECTORS (continued)

As announced by the Company on 23 March 2016, the following changes of Directors and committee members of the Company were all effective on 22 March 2016:

- (i) Mr. Cheok Ho Fung resigned as the chairman of the Board and the chief executive officer of the Company.
- (ii) Mr. Tang Yok Lam, Andy resigned as a member of the remuneration committee of the Company and a member of the nomination committee of the Company.
- (iii) Mr. Leung Shu Kin, Alfred resigned as the chairman of the remuneration committee, a member of the audit committee of the Company and a member of the nomination committee.
- (iv) Mr. Wong Wing Kee resigned as a member of the audit committee and a member of the remuneration committee.
- (v) Mr. Liu Tingan was appointed as an executive Director, the chairman of the Board, the chief executive officer and the chairman of the executive committee of the Company.
- (vi) Mr. Cheok Ho Fung was appointed as the deputy chairman of the Board and re-designated from the chairman of the executive committee to a member of the executive committee.
- (vii) Mr. Wong Wing Kee was re-designated from the chairman of the nomination committee to a member of the nomination committee.
- (viii) Mr. Ng Kee Sin was re-designated from the chairman of the audit committee to a member of the audit committee.
- (ix) Mr. Ng Man Kung was appointed as an independent non-executive Director, the chairman of the nomination committee, a member of the audit committee and a member of the remuneration committee.
- (x) Dr. Ngai Wai Fung was appointed as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee.

Disclosure of Additional Information

THE BOARD OF DIRECTORS (continued)

- (xi) Mr. Lau Fai Lawrence was appointed as an independent non-executive Director, the chairman of the audit committee, a member of the nomination committee and a member of the remuneration committee.

As announced by the Company on 31 March 2016, there were changes of Directors with effect from 31 March 2016 as follows:

- (i) Mr. Tang Yok Lam, Andy resigned as a non-executive Director.
- (ii) Mr. Leung Shu Kin, Alfred resigned as an independent non-executive Director.

As announced by the Company on 3 June 2016, there were changes of Directors and committee members of the Company with effect from the conclusion of the annual general meeting of the Company held on 3 June 2016 (the "AGM") as follows:

- (i) Mr. Ng Kee Sin retired from office at AGM and did not offer himself for re-election as an independent non-executive Director and as a member of the audit committee of the Company.
- (ii) Mr. Wong Wing Kee retired from office at the AGM and did not offer himself for re-election as an independent non-executive Director and as a member of the nomination committee of the Company.

As announced by the Company on 3 August 2016, Mr. Zhou Huorong was appointed as an executive Director and a member of the executive committee of the Company with effect from 3 August 2016.

There were no substantial changes to the information of Directors as disclosed on pages 52 to 63 of the 2015 Annual Report save as disclosed above and below:

Dr. Ngai Wai Fung has been appointed as an independent director of SPI Energy Co., Ltd. (whose shares are listed on NASDAQ Stock Market, stock code: Nasdaq: SPI) on 9 May 2016.

Disclosure of Additional Information

AUDIT COMMITTEE

The audit committee, comprising all the three independent non-executive Directors, has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2016 and has discussed with the management of the Company about the accounting principles and accounting standards adopted by the Group and matters relating to the risk management, internal control and financial reporting of the Group. The audit committee has the delegated responsibility from the Board to assure that adequate internal controls are in place and followed.

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
REVENUE	4	246,849	292,903
Cost of sales		(217,245)	(281,590)
Gross profit		29,604	11,313
Other income	4	2,598	5,832
Other gains and losses	5	47,042	115,155
Selling and distribution costs		(21,397)	(21,967)
Administrative expenses		(41,408)	(37,807)
Finance costs	6	(7,803)	(8,711)
PROFIT BEFORE INCOME TAX EXPENSE	7	8,636	63,815
Income tax expense	8	(1,227)	(15,592)
PROFIT FOR THE PERIOD		7,409	48,223
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(8,487)	(122)
Release of translation reserve included in profit or loss upon disposal of subsidiaries and an associate		(38,177)	(2,788)
Total comprehensive income for the period		(39,255)	45,313
Profit/(loss) for the period attributable to:			
Owners of the Company		8,916	49,899
Non-controlling interests		(1,507)	(1,676)
		7,409	48,223
Total comprehensive income for the period attributable to:			
Owners of the Company		(37,788)	46,990
Non-controlling interests		(1,467)	(1,677)
		(39,255)	45,313
Earnings per share attributable to owners of the Company			
— Basic and diluted	9	HK0.79 cents	HK4.99 cents

Unaudited Condensed Consolidated Statement of Financial Position

	Notes	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	276,753	286,124
Payments for leasehold land held for own use under operating leases		3,758	3,866
Rental and utility deposits		233	215
Available-for-sale financial assets		1,857	1,857
Deposits paid for acquisition of property, plant and equipment		815	186
Total non-current assets		283,416	292,248
CURRENT ASSETS			
Inventories		71,157	77,004
Payments for leasehold land held for own use under operating leases		125	127
Trade receivables	12	101,153	104,814
Prepayments, deposits and other receivables		27,945	18,259
Bank balances and cash		438,471	96,985
Total current assets		638,851	297,189
Assets of disposal groups classified as held for sale		—	217,680
Total current assets		638,851	514,869
CURRENT LIABILITIES			
Trade payables	13	102,385	93,089
Other payables and accruals		79,381	78,667
Interest-bearing bank loans	14	154,385	152,510
Tax payable		3,563	2,430
Shareholder's loans	15	—	94,698
Loans from a director	15	92,532	—
Obligation under finance leases		1,880	3,338
Total current liabilities		434,126	424,732
Liabilities of disposal groups classified as held for sale		—	37,435
Total current liabilities		434,126	462,167
NET CURRENT ASSETS		204,725	52,702
TOTAL ASSETS LESS CURRENT LIABILITIES		488,141	344,950

Unaudited Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Obligation under finance leases		50	574
Deferred tax liabilities		4,067	4,067
Total non-current liabilities		4,117	4,641
NET ASSETS			
CAPITAL AND RESERVES			
Share capital	16	120,000	100,000
Reserves		377,687	252,505
Equity attributable to owners of the Company		497,687	352,505
Non-controlling interests		(13,663)	(12,196)
TOTAL EQUITY		484,024	340,309

Unaudited Condensed Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Property revaluation reserve	Foreign exchange reserve	Statutory reserve fund	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	100,000	337,854	19,000	12,199	110,562	7,335	(234,445)	352,505	(12,196)	340,309
Profit for the period	—	—	—	—	—	—	8,916	8,916	(1,507)	7,409
Other comprehensive income for the period:										
Exchange difference arising on translation of foreign operations	—	—	—	—	(8,527)	—	—	(8,527)	40	(8,487)
Release upon disposal of subsidiaries and an associate	—	—	—	—	(38,177)	—	—	(38,177)	—	(38,177)
Total comprehensive income for the period	—	—	—	—	(46,704)	—	8,916	(37,788)	(1,467)	(39,255)
Issue of shares on placement, net of expenses (Note 16)	20,000	162,970	—	—	—	—	—	182,970	—	182,970
At 30 June 2016	120,000	500,824	19,000	12,199	63,858	7,335	(225,529)	497,687	(13,663)	484,024

	Equity attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Property revaluation reserve	Foreign exchange reserve	Statutory reserve fund	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	100,000	337,854	19,000	5,831	162,054	7,335	(252,349)	379,725	(7,812)	371,913
Profit for the period	—	—	—	—	—	—	49,899	49,899	(1,676)	48,223
Other comprehensive income for the period:										
Exchange difference arising on translation of foreign operations	—	—	—	—	(121)	—	—	(121)	(1)	(122)
Release upon disposal of an associate	—	—	—	—	(2,788)	—	—	(2,788)	—	(2,788)
Total comprehensive income for the period	—	—	—	—	(2,909)	—	49,899	46,990	(1,677)	45,313
At 30 June 2015	100,000	337,854	19,000	5,831	159,145	7,335	(202,450)	426,715	(9,489)	417,226

Unaudited Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
OPERATING ACTIVITIES		
Profit before income tax expense	8,636	63,815
Adjustments for:		
Depreciation of property, plant and equipment	9,131	16,338
Interest income	(361)	(149)
Finance costs	7,803	8,711
Gain on disposal of property, plant and equipment	—	(1)
Release of prepaid lease payments	64	290
Write-down of inventories	2,375	854
(Reversal of impairment loss)/impairment loss on trade receivables	(56)	1,085
Gain on disposal of subsidiaries and an associate	(40,283)	—
(Reversal of provision)/provision for employee termination benefits	(2,118)	28,591
Gain on disposal of an associate	—	(174,573)
Impairment loss on property, plant and equipment	—	26,890
Write-off of other receivables	—	2,458
Operating cash flows before movements in working capital	(14,809)	(25,691)
Increase in rental and utility deposits	(18)	(9)
Decrease in inventories	3,472	9,921
Decrease/(increase) in trade receivables	3,717	(24,975)
Increase in prepayments, deposits and other receivables	(10,696)	(3,450)
Increase/(decrease) in trade payables	9,296	(23,818)
Increase in other payables and accruals	2,832	7,543
Cash used in operations	(6,206)	(60,479)
Income tax paid	(41)	(1,717)

Unaudited Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(6,247)	(62,196)
INVESTING ACTIVITIES		
Interest received	361	149
Proceeds from disposal of property, plant and equipment	—	3
Proceeds from disposal of subsidiaries and an associate	182,733	—
Proceeds from disposal of an associate	—	109,919
Purchase of property, plant and equipment	(3,744)	(1,428)
NET CASH GENERATED FROM INVESTING ACTIVITIES	179,350	108,643
FINANCING ACTIVITIES		
New bank loans raised	203,319	204,857
Repayment of bank loans	(200,131)	(179,078)
Repayment of obligation under finance leases	(1,978)	(2,409)
Repayment of shareholder's/director's loans	(2,166)	(1,754)
Interest paid	(7,803)	(8,711)
Proceeds from issue of new shares, net of expenses	182,970	—
NET CASH GENERATED FROM FINANCING ACTIVITIES	174,211	12,905
NET INCREASE IN CASH AND CASH EQUIVALENTS	347,314	59,352
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	96,985	94,722
Effect on foreign exchange rate changes	(5,828)	(12)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	438,471	154,062
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	438,471	154,062

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. The Directors consider that Youfu Investment Co., Ltd and Zhisheng Enterprises Investment Co., Ltd, which are directly wholly-owned by Mr. Sun Mingwen and Ms. He Yeqin, respectively and both are incorporated in the British Virgin Islands, are the controlling shareholders of the Company and Mr. Sun and Ms. He are parties acting in concert. The addresses of the registered office and principal place of business of the Company are Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and Room 3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, respectively.

The Company is an investment holding company. The principal activities of its principal subsidiaries are the manufacture and sale of a broad range of printed circuit boards ("PCB").

Moreover, as further detailed in the Company's announcement dated 23 March 2016, the Company's management will actively develop its new line of business on assets and funds management as well as conducting financial investments including but not limited to securities, bonds and debentures on discretionary basis.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") which is same as the functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

The unaudited condensed consolidated financial statements for the Period have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 and other relevant provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

Notes to the Unaudited Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(b) Principal accounting policies, accounting estimates and judgements

The unaudited condensed consolidated financial statements for the Period have been prepared on the historical cost basis except for available-for-sale financial assets that are measured at fair value.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the Period are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015 except for those as described in (c) below.

The preparation of the unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the unaudited condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2015.

Notes to the Unaudited Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(c) Adoption of amendments to Hong Kong Financial Reporting Standards (the “HKFRSs”)

During the Period, the Group has applied for the first time, the following amendments to HKFRSs issued by the HKICPA which are relevant to and effective for the Group’s unaudited condensed consolidated financial statements for the annual period beginning on 1 January 2016:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The adoption of these amendments has no material impact on the Group’s unaudited condensed consolidated financial statements for the Period.

(d) New or revised HKFRSs that have been issued but are not yet effective and not early adopted by the Group

The following new or revised HKFRSs, potentially relevant to the Group’s unaudited condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 7	Disclosure Initiative ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

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 has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION

No segment information is presented as the manufacture and sale of printed circuit boards is the only operating segment of the Group. The Group's chief operating decision maker (the Chief Executive Officer of the Group) regularly reviews the consolidated results of the Group as a whole for the purposes of resource allocation and assessment of performance. The Group considered that there is only one meaningful active operating segment with the segment revenue, segment results, segment assets and segment liabilities the same as the revenue, profit for the period, total assets and total liabilities respectively as reported in the unaudited condensed consolidated financial statements.

(a) Geographical information

The following table provides an analysis of the Group's revenue from external customers by geographical market based on the location of customers:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Europe	81,389	93,304
Hong Kong	41,446	25,584
The People's Republic of China (the "PRC")	34,475	42,594
United States of America	25,178	17,346
Malaysia	18,227	36,557
Japan	17,242	12,581
Singapore	12,399	14,417
Thailand	4,349	37,213
Others	12,144	13,307
	246,849	292,903

Note:

Revenue are attributed to the relevant countries on the basis of the customers' locations.

Notes to the Unaudited Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION (continued)

(b) Information about major customers

Revenue from customers individually contributing over 10% of the total sales of the Group is as follows:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Customer A	27,079	N/A*
Customer B	N/A*	46,439

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

4. REVENUE AND OTHER INCOME

Revenue represents the amounts received and receivable for goods sold by the Group to external customers, less returns, rebate, discounts and sales related taxes, if any, during the Period.

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue		
Sales of goods	246,849	292,903
Other income		
Tooling income	648	1,527
Sample income	1,228	1,956
Interest income	361	149
Compensation received from insurance claims	—	1,735
Others	361	465
	2,598	5,832

Notes to the Unaudited Condensed Consolidated Financial Statements

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Impairment loss on property, plant and equipment	—	(26,890)
Reversal of provision/(provision) for employee termination benefits	2,118	(28,591)
Write-off of other receivables	—	(2,458)
Net exchange gains/(losses)	4,585	(395)
Reversal of impairment loss/(impairment loss) on trade receivables	56	(1,085)
Gain on disposal of property, plant and equipment	—	1
Gain on disposal of an associate	—	174,573
Gain on disposal of subsidiaries and an associate	40,283	—
	47,042	115,155

6. FINANCE COSTS

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on:		
Bank borrowings	4,485	5,111
Shareholder's loans	552	3,326
Loans from a director	2,655	—
Obligation under finance leases	111	274
	7,803	8,711

Notes to the Unaudited Condensed Consolidated Financial Statements

7. PROFIT BEFORE INCOME TAX EXPENSE

This is arrived at after charging:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Cost of inventories recognised as an expense	217,245	281,590
Write-down of inventories (Included in cost of inventories)	2,375	854
Depreciation of property, plant and equipment	9,131	16,338
Release of prepaid lease payments	64	290

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
The income tax expense comprises:		
PRC Enterprise Income Tax		
Current period	1,206	15,727
Under/(over)-provision in prior years	21	(135)
Income tax expense	1,227	15,592

Notes to the Unaudited Condensed Consolidated Financial Statements

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the Group's profit for the Period attributable to owners of the Company of HK\$8,916,000 (six months ended 30 June 2015: HK\$49,899,000) and the weighted average number of ordinary shares in issue of 1,125,275,000 (six months ended 30 June 2015: 1,000,000,000) during the Period.

Diluted earnings per share is equal to basic earnings per share for the six months ended 30 June 2016 and 2015 as there were no potential dilutive ordinary shares in issue in both periods.

10. DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend for the Period (six months ended 30 June 2015: HK\$Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment with a cost of approximately HK\$3,744,000 (six months ended 30 June 2015: approximately HK\$1,428,000).

Notes to the Unaudited Condensed Consolidated Financial Statements

12. TRADE RECEIVABLES

The Group's credit period varies and depends on individual trade customers, ranging from 30 to 120 days (31 December 2015: 30 to 120 days). The Group closely monitors its outstanding trade receivables. Overdue balances are reviewed regularly by the Group's senior management. The following is an ageing analysis of trade receivables (net of allowance for doubtful debts) based on invoice date at the end of the reporting period:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
0 — 30 days	42,159	43,948
31 — 60 days	35,270	37,620
61 — 90 days	22,042	20,586
Over 90 days	1,682	2,660
	101,153	104,814

13. TRADE PAYABLES

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

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
0 — 30 days	29,205	27,201
31 — 60 days	26,106	22,665
61 — 90 days	18,943	17,575
Over 90 days	28,131	25,648
	102,385	93,089

The trade payables are non-interest bearing and are normally settled on terms of 60 to 120 days (31 December 2015: 60 to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Notes to the Unaudited Condensed Consolidated Financial Statements

14. INTEREST-BEARING BANK LOANS

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Repayable not later than one year	154,385	152,510

15. LOANS FROM A DIRECTOR/SHAREHOLDER'S LOANS

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Unsecured loans from a controlling shareholder:		
— interest bearing at 7% and repayable on 2 July 2016	—	94,698
Unsecured loans from a director:		
— interest bearing at 7% and repayable on 2 January 2017	92,532	—

The loans were advanced by Mr. Cheok Ho Fung ("Mr. Cheok"), a director of the Company.

Subsequent to 15 January 2016, Mr. Cheok ceased to be the controlling shareholder of the Company but he remains as a director of the Company as at the date of this interim report.

Notes to the Unaudited Condensed Consolidated Financial Statements

16. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each (‘000)	<i>HK\$’000</i>
Authorised:	2,000,000	200,000
Issued and fully paid:		
At 1 January 2015 and 31 December 2015 (audited)	1,000,000	100,000
Issue of ordinary shares on placement (<i>Note</i>)	200,000	20,000
At 30 June 2016 (unaudited)	1,200,000	120,000

Note:

On 9 March 2016, the Company completed a placement of 200,000,000 new ordinary shares at a price of HK\$0.925 per share through a placing agent to an independent third party (the “Placement”). The net proceeds received from the Placement was approximately HK\$182,970,000, of which HK\$20,000,000 was credited to share capital account and the remaining balance of approximately HK\$162,970,000, was credited to the share premium account. Further details of the Placement were set out in the Company’s announcements dated 26 February 2016, 1 March 2016 and 9 March 2016. The Company intends to apply the net proceeds from the Placement as general working capital of the Group.

17. SHARE AWARD SCHEME

On 17 May 2016, the Company adopted a share award scheme (the “Share Award Scheme”), pursuant to which the Board may propose or determine the grant of the Company’s shares to any Directors, employees or third party service providers of the Group as their incentives and rewards so as (i) to provide them with an opportunity to acquire a proprietary interest in the Company; (ii) to encourage and retain such individuals to work with the Company; and (iii) to provide additional incentive for them to achieve performance goals, subject to such conditions as the Board may deem appropriate at its discretion. Further details of the Share Award Scheme were set out in the Company’s announcements dated 17 May 2016.

On the same date, the Board resolved to award an aggregate of 60,000,000 shares of the Company (the “Award Shares”) to a director of the Company under the Share Award Scheme, which will be vested in five equal batches on 31 March 2017, 2018, 2019, 2020 and 2021. The vesting of the Award Shares is subject to satisfaction of vesting criteria and conditions, including the Group’s achievement of expected return percentage in each year in respect of the Group’s assets management and investment business as approved by the Board. Further details of the grant of the Award Shares were set out in the Company’s announcement dated 17 May 2016 and circular dated 5 July 2016.

The grant of the Award Shares was approved by independent shareholders of the Company at the special general meeting held on 20 July 2016.

Notes to the Unaudited Condensed Consolidated Financial Statements

18. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Within one year	4,426	3,710
In the second to fifth years inclusive	1,561	2,122
	5,987	5,832

Operating lease payments represent rentals payable by the Group for its office properties and staff quarters. Leases are negotiated for terms of one to three (31 December 2015: one to three) years with fixed rentals.

19. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Capital expenditure, contracted for but not provided in the unaudited condensed consolidated financial statements, in respect of — the acquisition of plant and machinery	3,437	383

Notes to the Unaudited Condensed Consolidated Financial Statements

20. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in these unaudited condensed consolidated financial statements, during the Period, the Group entered into the following transactions with related parties:

Related party	Nature of transactions	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Keentop Investment Limited ("Keentop") (Note (i))	Rental expense and management fee expense	1,062	1,060
Mr Cheok Ho Fung (Note (ii))	Interest on loans from a director/ a shareholder	3,207	3,326

Notes:

- (i) The amounts paid to Keentop, which is beneficially owned by Mr. Cheok Ho Fung, a director of the Company, and his spouse, related to a property leased as their residence. Pursuant to a tenancy agreement entered into on 1 June 2011, the monthly rental and management fees were revised to HK\$165,000 and HK\$9,900, for the period from 1 June 2011 to 31 May 2014. The tenancy agreement was renewed on 28 May 2014 for three years from 1 June 2014 to 31 May 2017 under the same terms and conditions except that the monthly management fee was increased to HK\$11,390 from 1 June 2014 to 31 March 2015 and HK\$12,000 from 1 April 2015 to 31 May 2017 (subject to adjustment). Further details are set out in the Company's announcement dated 28 May 2014.
- (ii) The interest expense was charged at a fixed rate of 7% (six months ended 30 June 2015: 7%) per annum on the loans from a director/a shareholder during the Period.

Notes to the Unaudited Condensed Consolidated Financial Statements

20. RELATED PARTY TRANSACTIONS (continued)

(b) Details of the compensation of key management personnel of the Group were as follows:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short-term benefits	10,197	4,637
Post-employment benefits	181	148
	10,378	4,785

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The fair value of these financial assets and financial liabilities are determined as follows:

- the fair values of financial assets which are traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair values of other financial assets and financial liabilities which are not quoted in active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Level 1 fair value measurements are derived from quoted prices (unadjusted) in active market for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Available-for-sale financial assets are measured subsequent to initial recognition at fair value, grouped into Level 2 (31 December 2015: Level 2).

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited condensed consolidated statement of financial position, approximate to their fair values due to short maturity of these instruments.

22. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 5 August 2016, the Group entered into a conditional sales and purchase agreement with an independent third party (the “Vendor”) for the acquisition of 45% equity interests in 深圳市盛達前海供應鏈有限公司 (the “Target Company”) at the total cash consideration of RMB9 million (equivalent to approximately HK\$10.44 million). The Target Company is engaged in equity investment, the provision of investment and research analysis advisory services (excluding restricted projects), and investment management (excluding trust, financial asset management, securities asset management, insurance asset management). The financial results of the Target Company will be accounted for in the Group’s consolidated financial statements using equity method of accounting.

On the same date, the Group, the Vendor and the Target Company, entered into a debt capital agreement pursuant to which the Group agreed to provide debt capital of RMB121.5 million (equivalent to approximately HK\$140.94 million) (the “Debt Capital”) to the Target Company for a term of 18 months commencing from the date of provision of the Debt Capital, which bears interest at an annual rate of 18% per annum and is secured by the remaining 55% equity interests in the Target Company beneficially owned by the Vendor after completion. The Debt Capital shall only be applied and used by the Target Company as its general working capital.

As of the date of approval of the interim financial statements, the acquisition has not yet been completed and the Debt Capital has not yet been provided to the Target Company. Further details of the above-mentioned transactions are set out in the Company’s announcement dated 5 August 2016.