



# 中國港橋控股有限公司

China HKBridge Holdings Limited

(formerly known as Topsearch International (Holdings) Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)



Interim Report **2017**



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# Chairman's Statement

I am pleased to present the unaudited condensed consolidated interim results of China HKBridge Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the six months ended from 1 January 2017 to 30 June 2017 (the “**Period**”).

## FINANCIAL PERFORMANCE

Compared with the performance of the same period of last year, the Group's revenue increased not only because of additional revenue generated from the printed circuit boards (“**PCBs**”) segment but also additional income generated from the treasury investments and the financial services segments. Further details of the performance of each business segment are summarised in note 3(a) to the unaudited condensed consolidated financial statements of this interim report.

The Group's profit before income tax expense increased by HK\$41.3 million, representing approximately 5.8 times of the same period of last year, mainly because of the contributions from the treasury investments segment and the financial services segment. Earnings per share attributable to owners of the Company was HK2.44 cents per share representing a significant improvement as compared with HK0.79 cents per share for the corresponding period of last year.

## DIVIDEND

The board (the “**Board**”) of directors (the “**Directors**”) of the Company does not recommend the payment of any interim dividend for the Period.

## BUSINESS REVIEW

### **PCBs business**

During the Period, the principal business of the Group's manufacturing segment remained unchanged and was involved in the manufacture and sale of a wide range of PCBs.

Comparing to the last six months' revenue in 2016, the Group's PCBs segment reported a stable growth in the first half of 2017. In this context, the PCBs segment was working hard to replace those less profitable products by orders with better profit margin. The low margin products were mainly due to the acute price increase in core raw materials such as copper foil, copper laminates and even prepreg. Although the price increasing trend of those core materials has shown a slow down towards the end of the first six months of 2017, their price levels remain roughly 20% higher than those in the same period of last year. This is the major reason why the PCBs segment still incurred a loss for the first half of 2017 despite its efforts to excel in the business.

Looking forward, the PCBs segment is expecting more new customers with better margin orders would be secured in the second half of 2017 so that a turnaround can be realised.



# Chairman's Statement

## **Treasury investments**

During the Period, the Group acquired a total number of 90,000,000 shares in Crown International Corporation Limited (“**CIC**”) (whose shares are listed on the Stock Exchange (as defined below) (Stock Code: 727)) at a consideration of HK\$99 million from an independent third party to make the listed security portfolio to have three equity investments. Further details in relation to the acquisition of an additional listed security together with the put option arrangement attached to this acquisition were set out in the Company's announcements dated 28 April 2017, 29 May 2017 and 25 July 2017. As at 30 June 2017, the carrying value of all listed securities being held by the Group amounting to HK\$726.3 million and the Group recorded net unrealised fair value losses on listed securities of approximately HK\$12.1 million for the Period.

Besides, the Group has made contributions to two private funds being launched by two independent third parties amounting to HK\$340 million and HK\$200 million, respectively during the Period. Further details in relation to the subscription of these two private funds were set out in the Company's announcements dated 23 December 2016 and 25 January 2017, respectively.

Other than the above-mentioned, the Group also completed a provision of financial assistance of HK\$224 million (equivalent to RMB200 million) to an independent third party for a term of 2 years, with an interest rate of 18% per annum, and was secured by 55% equity interests in a property development company based in China, and personal guarantees provided by the founders of that property development company. Further details in relation to the provision of financial assistance were set out in the Company's announcement dated 22 March 2017.

## **Financial services**

### *Asset management*

After having obtained the formal approval from the Securities and Futures Commission of Hong Kong (the “**SFC**”) to conduct Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under section 127(1) of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”), the Group actively involved in asset management business during the Period.

During the Period, the Group acted as the general partner of five offshore private funds which were relevant to investments in relation to One Belt One Road (“**OBOR**”) policy promulgated by the Chinese government officials. Among these five offshore private funds, the Group made contributions of HK\$220 million each into two of these five offshore private funds. Further details in relation to these two offshore private funds that the Group had made contributions were set out in the Company's announcement dated 14 May 2017.

As at 30 June 2017, five offshore funds relating to OBOR were closed and the aggregate amount of assets under management was HK\$5 billion.

### *Investment and other consultancy related services*

During the Period, the Group increased its headcounts with investment banking and corporate finance experience and exposures in rendering investment referral and consultancy services to potential investors and had successfully secured several investment referral and consultancy agreements. This enables the Group to generate an additional source of revenue during the Period.



# Chairman's Statement

With the efforts of the Group's senior management and execution teams, the Group achieved considerable progress during the Period, not only the marked improvement in profitability and the enlargement in assets but also the commencement of the asset management business. This enables the Group to build its credential in the asset management and establishes a solid foundation for further development in the years to come. At the same time, the diversity of the Board was strengthened by appointing Mr. Mao Yumin (formerly the senior consultant of the Company) as a non-executive Director on 10 March 2017 with strong banking credentials and that the management team itself has also been enlarged.

## PROSPECT

Surrounded by intense competition and replacing old business from the hard disk drive business with new business from other segments will take time to build up, the PCBs segment is likely to grow in slow momentum in the second half of 2017. Market conditions for the PCBs segment remain competitive and tough in the foreseeable future. The Group will actively explore more opportunities in asset management and other financial service related businesses by taking advantage of internationalisation of Renminbi, the stable international financial market in Hong Kong and those national strategies promulgated by the Chinese government officials. The Group is now considering to apply for licenses on other regulated activities under the SFO and will continuously recruit additional professional individuals to grow the financial services businesses.

Following the strategic upgrade and the implementation of new strategic plan after the change in controlling shareholders, the Group has been actively diversifying its businesses and seeking opportunities for investments and growth. The Group will continue to identify investment and business development opportunities conservatively and seriously, to better utilise its capital to expand the scope of business, to explore potential projects and to acquire good quality assets so as to enhance its long-term return of the shareholders of the Company and act as the bridge connecting between China and Hong Kong and even the rest of the world (as reflected in the current name of the Company, which was adopted on 25 January 2017).

## APPRECIATION

I would like to express on behalf of the Board, my gratitude and sincere appreciation to the management and all staff for their dedication and commitment to make valuable contributions to the Group during the Period and to thank all our shareholders, business partners and customers for their continuous support. We are looking forward to overcoming all those challenges to be facing with our combined efforts and achieving the Group's success in the years to come.

On behalf of the Board

**Liu Tingan**

*Chairman and Chief Executive Officer*

Hong Kong, 16 August 2017

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Liquidity and financial resources

The Group finances its operations mainly through internal generated resources and borrowings.

As at 30 June 2017, the total equity of the Group was HK\$1,217.1 million. The Group's indebtedness level increased because new borrowings of HK\$890.0 million were obtained from independent third parties. Out of these new borrowings obtained during the Period, new borrowings of HK\$450.0 million were secured by certain assets being held by the Group including listed securities and equity interest in an associate.

As at 30 June 2017, the Group's current assets mainly included trade receivables of HK\$118.8 million, loan receivables of HK\$114.2 million, equity investments at fair value through profit or loss of HK\$726.3 million and cash and cash equivalents of HK\$401.3 million.

As at 30 June 2017, the Group had the following interest-bearing borrowings, which included bank borrowings, other loans, loan from a related company, loans from a director and finance leases:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Amounts payable:		
Within one year	<b>1,012,740</b>	1,043,897
In the second year	<b>450,000</b>	281,322
In the third to fifth years, inclusive	<b>440,000</b>	—
	<b>1,902,740</b>	1,325,219
Less: Portion classified as current liabilities	<b>1,012,740</b>	1,043,897
Portion classified as non-current liabilities	<b>890,000</b>	281,322

Of the total interest-bearing borrowings as at 30 June 2017, Hong Kong dollars (“**HKD**”) denominated borrowings accounted for 61.9% (31 December 2016: 21.7%), United States dollars (“**USD**”) denominated borrowings accounted for 1.2% (31 December 2016: 0.1%) and Renminbi (“**RMB**”) denominated borrowings accounted for 36.9% (31 December 2016: 78.2%).

# Management Discussion and Analysis

Out of the total borrowings as at 30 June 2017, bank borrowings of approximately HK\$133.5 million (31 December 2016: HK\$Nil) carried fixed interest rates ranging from 2.22% to 4.35% per annum and other loans, loan from a related party and loans from a director of approximately HK\$1,769.2 million (31 December 2016: HK\$1,215.7 million) carried fixed interest rates ranging from 3% to 7.5% per annum (31 December 2016: 3% to 7% per annum).

As at 31 December 2016, bank borrowings of HK\$109.5 million carried floating interest rates ranged from 4.13% to 6.15% per annum.

Certain of the Group's interest-bearing borrowings as at 30 June 2017 were secured by:

1. certain buildings and payments for leasehold land held for own use under operating leases held by the Group;
2. the assignment of trade receivables of a subsidiary of the Group;
3. certain listed securities being held by the Group;
4. equity interest in an associate of the Group;
5. equity interests in certain subsidiaries of the Group's manufacturing segment; and
6. corporate guarantees of the Company.

## MATERIAL ACQUISITIONS OR DISPOSALS

During the Period, the Group did not have any material acquisitions or disposals of subsidiaries and associates.

## FOREIGN EXCHANGE EXPOSURE

Sales of the Group's PCBs products are principally denominated in USD and purchases of materials and payments of operational expenses are denominated in USD, HKD and RMB. The rest of the Group's transactions are mainly denominated in HKD and 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 doing hedging to minimise the Group's exposure to foreign exchange risks.

## SHARE AWARD SCHEME

On 17 May 2016, the Company adopted a share award scheme (the "**Share Award Scheme**"), which is not subject to the provisions of Chapter 17 of the Listing Rules. The purposes of the share award scheme are (i) to provide those eligible persons with an opportunity to acquire a proprietary interest in the Company, (ii) to encourage and retain such individual to work with the Company; and (iii) to provide additional incentive for them to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of those eligible persons directly to shareholders of the Company through their ownership of shares in the Company (the "**Shares**").

# Management Discussion and Analysis

On 20 July and 27 October 2016, ordinary resolutions were passed at the respective special general meetings held to grant the relevant special mandate to the Directors to exercise all the powers of the Company to allot and issue an aggregate of 60,000,000 new Shares (the “**Award Shares**”) in tranches of 12,000,000 Award Shares per year to each of Mr. Liu Tingan (“**Mr. Liu**”) and Mr. Zhou Huorong (“**Mr. Zhou**”), respectively, pursuant to the Share Award Scheme and the fulfillment of vesting conditions specified therein. For details, please refer to the Company’s circulars dated 5 July 2016 and 30 September 2016, respectively.

On 3 January 2017, a total of 24,000,000 new Shares were issued to Computershare Hong Kong Trustees Limited to hold on trust for Mr. Liu and Mr. Zhou. On 31 March 2017, all vesting conditions for the first tranche of Award Shares were fulfilled. 12,000,000 new Shares were transferred to each of Mr. Liu and Mr. Zhou, respectively.

Since both Mr. Liu and Mr. Zhou are the executive Directors, they are connected persons under Chapter 14A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). As such, the grant of the Award Shares to each of Mr. Liu and Mr. Zhou constituted connected transactions to the Company.

As at the date of this report, there are outstanding share awards hold by Mr. Liu pursuant to which up to 48,000,000 Shares may be issued upon certain vesting conditions being met. The next vesting date of the second tranches of Award Shares is 31 March 2018.

## NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2017, excluding those in the associates, the Group had approximately 1,648 employees (31 December 2016: 1,645). For the Period, our total staff costs (including provision for employee termination benefits) amounted to HK\$87.7 million (Six months ended 30 June 2016: HK\$69 million).

Under the Group’s remuneration policy, employees are rewarded in line with market rate and in compliance with statutory requirements of all jurisdictions where it operates. Employees are also granted discretionary bonus subject to the individual’s performance and business results of the Group.

## CAPITAL COMMITMENTS

As at 30 June 2017, the Group’s capital commitments under the manufacturing segment contracted but not provided for amounted to HK\$3.0 million (31 December 2016: HK\$2.2 million) and there was no capital commitment authorised but not contracted for outstanding for both years. All these outstanding capital commitments were related to construction of factory buildings and acquisition of plant and machinery.

On the other hand, the Group’s capital commitments under the treasury investments segment contracted but not provided for amounted to HK\$110 million (31 December 2016: HK\$340 million) and there was no capital commitment authorised but not contracted for outstanding for both years. The outstanding commitments under





# Management Discussion and Analysis

the treasury investments segment were related to the acquisition of listed securities. Subsequent to 30 June 2017, the Group received a termination notice from the seller indicating that the seller decided to terminate the completion of the acquisition of listed securities. Further details in relation to the said termination were set out in the Company's announcement dated 25 July 2017.

## CONTINUING CONNECTED TRANSACTIONS

On 10 May 2017, the Company entered into a sublease agreement with China Tian Yuan International Finance (Management) Limited ("**China Tian Yuan Management**") for a term of 2 years commencing from the commencement date of the original lease term entered into between the landlord and China Tian Yuan Management dated 16 August 2016 to 15 August 2018 in relation to one third of the premises at 36th Floor together with three car parking spaces, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong at a monthly rental of HK\$476,667 plus monthly management fee of HK\$21,211 with two months rent-free period. Since China Tian Yuan Management is wholly and beneficially owned by China Tian Yuan Finance Group (Holdings) Limited, a company incorporated in Cayman Islands with limited liability and is wholly and beneficially owned by Mr. Jia Tian Jiang, a substantial shareholder of the Company and a connected person as defined under Chapter 14A of the Listing Rules, the said sublease agreement constituted a continuing connected transaction and further details of which were set out in the Company's announcement dated 10 May 2017.

For the Period, the total rental plus management fee paid and payable to China Tian Yuan Management was HK\$2,987,000. The annual cap for 2017 of this continuing connected transaction was HK\$7,000,000 and the annual cap has been kept.

On 26 May 2017, Topsearch Printed Circuits (HK) Limited ("**Topsearch**"), a wholly-owned subsidiary of the Group, entered into a tenancy agreement with Keentop Investment Limited ("**Keentop**") in relation to the lease of properties at House 7 and the Garden appurtenant thereto and car park spaces No. 7A and 7B on the Basement Floor, Las Pinadas, No.33 Shouson Hill Road, Hong Kong to Mr. Cheok Ho Fung as the Director's quarter for a lease term of three years commencing from 1 June 2017 to 31 May 2020 at a monthly rental of HK\$165,000 plus monthly management fee of HK\$18,000.

Since Keentop is a company beneficially owned as to 50% by each of Mr. Cheok Ho Fung, an executive Director of the Company and his spouse, Mrs. Cheok Chu Wai Man, they are connected persons as defined under Chapter 14A of the Listing Rules and the said tenancy agreement constituted a continuing connected transaction which was exempt from reporting, announcement and annual review requirements pursuant to the Listing Rules.

For the Period, the total rental plus management fee paid and payable to Keentop was HK\$1,062,000.

# Management Discussion and Analysis

## LISTED SECURITIES

As at 30 June 2017, the details of the Group's equity investments at fair value through profit or loss were summarised as follows:

Names of listed companies	Number of shares held	Market value		Carrying value as at 31 December 2016	Costs of purchases	Market value		Change in fair value
		per share as at 30 June 2017	as at 30 June 2017			as at 30 June 2017	as at 30 June 2017	
		HK\$	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
SkyNet Group Limited (Stock code: 8176)	41,666,666	9.29	391.6	—	387.1	(4.5)		
North Mining Shares Company Limited (Stock code: 433)	1,324,929,577	0.165	247.8	—	218.6	(29.2)		
CIC (Stock code: 727)	90,000,000	1.34	—	99.0	120.6	21.6		
<b>Total</b>			639.4	99.0	726.3	(12.1)		

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

	Notes	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>REVENUE</b>	4	<b>372,589</b>	246,849
Cost of sales and services rendered		<b>(273,703)</b>	(217,245)
Gross profit		<b>98,886</b>	29,604
Other income	4	<b>53,569</b>	2,598
Other gains and losses, net	5	<b>(1,784)</b>	47,042
Selling and distribution costs		<b>(17,031)</b>	(21,397)
Administrative expenses		<b>(50,463)</b>	(41,408)
Finance costs	6	<b>(33,621)</b>	(7,803)
Share of results of associates		<b>400</b>	—
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>	7	<b>49,956</b>	8,636
Income tax expense	8	<b>(14,286)</b>	(1,227)
<b>PROFIT FOR THE PERIOD</b>		<b>35,670</b>	7,409
<b>Other comprehensive income for the Period</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		<b>14,003</b>	(8,487)
Release of translation reserve included in profit or loss upon disposal of subsidiaries and an associate		—	(38,177)
<b>Total comprehensive income for the Period</b>		<b>49,673</b>	(39,255)
Profit/(loss) for the period attributable to:			
Owners of the Company		<b>35,670</b>	8,916
Non-controlling interests		—	(1,507)
		<b>35,670</b>	7,409
Total comprehensive income for the Period attributable to:			
Owners of the Company		<b>49,673</b>	(37,788)
Non-controlling interests		—	(1,467)
		<b>49,673</b>	(39,255)
<b>Earnings per share attributable to owners of the Company</b>			
— Basic and diluted	9	<b>HK2.44 cents</b>	HK0.79 cents

# Unaudited Condensed Consolidated Statement of Financial Position

	Notes	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	267,406	262,064
Payments for leasehold land held for own use under operating leases		3,551	3,551
Interests in associates	12	444,645	431,513
Loan receivables	15	224,000	—
Rental and utility deposits		168	250
Available-for-sale financial assets	13	982,107	2,107
Deposits paid		15,628	65,996
<b>Total non-current assets</b>		<b>1,937,505</b>	765,481
<b>CURRENT ASSETS</b>			
Inventories		74,917	78,713
Payments for leasehold land held for own use under operating leases		121	121
Trade receivables	14	118,841	111,549
Loan receivables	15	114,216	167,598
Prepayments, deposits and other receivables		86,347	35,822
Equity investments at fair value through profit or loss	16	726,297	639,429
Bank balances and cash		401,254	992,784
<b>Total current assets</b>		<b>1,521,993</b>	2,026,016
<b>CURRENT LIABILITIES</b>			
Trade payables	17	123,133	134,534
Other payables and accruals		146,302	101,046
Tax payables		16,303	8,007
Amount due to an associate	12	10,440	10,440
Loan from a related company	24(a)(iv)	200,000	200,000
Borrowings	18	719,615	843,352
Loans from a director	19	93,076	—
Obligation under finance leases		49	545
<b>Total current liabilities</b>		<b>1,308,918</b>	1,297,924
<b>NET CURRENT ASSETS</b>		<b>213,075</b>	728,092
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,150,580</b>	1,493,573

# Unaudited Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	<b>At 30 June 2017 (Unaudited) HK\$'000</b>	At 31 December 2016 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	18	<b>890,000</b>	189,944
Loans from a director	19	—	91,378
Deferred tax liabilities		<b>43,529</b>	44,873
Total non-current liabilities		<b>933,529</b>	326,195
<b>NET ASSETS</b>		<b>1,217,051</b>	1,167,378
<b>CAPITAL AND RESERVES</b>			
Share capital	20	<b>146,400</b>	144,000
Reserves		<b>1,070,651</b>	1,023,378
<b>TOTAL EQUITY</b>		<b>1,217,051</b>	1,167,378

# Unaudited Condensed Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Company											
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Share-based compensation		Property			Statutory reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Sub-Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
			benefits reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	revaluation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000						
At 1 January 2017	144,000	954,387	55,806	19,000	10,229	33,838	7,335	(57,217)	1,167,378	—	1,167,378	
Profit for the Period	—	—	—	—	—	—	—	35,670	35,670	—	35,670	
Other comprehensive income for the Period:												
Exchange difference arising on translation of foreign operations	—	—	—	—	—	14,003	—	—	14,003	—	14,003	
<b>Total comprehensive income for the Period</b>	—	—	—	—	—	14,003	—	35,670	49,673	—	49,673	
Vesting of shares under the Share Award Scheme (Note 20)	2,400	62,880	(54,720)	—	—	—	—	(10,560)	—	—	—	
<b>At 30 June 2017</b>	<b>146,400</b>	<b>1,017,267</b>	<b>1,086</b>	<b>19,000</b>	<b>10,229</b>	<b>47,841</b>	<b>7,335</b>	<b>(32,107)</b>	<b>1,217,051</b>	<b>—</b>	<b>1,217,051</b>	

	Equity attributable to owners of the Company										
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Sub-Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) 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)	
<b>Total comprehensive income for the Period</b>	—	—	—	—	(46,704)	—	8,916	(37,788)	(1,467)	(39,255)	
Issue of shares on placement, net of expenses	20,000	162,970	—	—	—	—	—	182,970	—	182,970	
<b>At 30 June 2016</b>	<b>120,000</b>	<b>500,824</b>	<b>19,000</b>	<b>12,199</b>	<b>63,858</b>	<b>7,335</b>	<b>(225,529)</b>	<b>497,687</b>	<b>(13,663)</b>	<b>484,024</b>	

# Unaudited Condensed Consolidated Statement of Cash Flows

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before income tax expense	<b>49,956</b>	8,636
Adjustments for:		
Depreciation of property, plant and equipment	<b>7,184</b>	9,131
Gain on disposal of other investment	<b>(5,598)</b>	—
Interest income	<b>(37,513)</b>	(361)
Return on a private equity fund	<b>(13,000)</b>	—
Finance costs	<b>33,621</b>	7,803
Share of results of associates	<b>(400)</b>	—
Fair value loss on equity investments at fair value through profit or loss	<b>12,132</b>	—
Release of prepaid lease payments	<b>82</b>	64
(Reversal of)/write down of inventories	<b>(1,015)</b>	2,375
Reversal of impairment loss on trade receivables	—	(56)
Gain on disposal of subsidiaries and an associate	—	(40,283)
Reversal of provision for employee termination benefits	—	(2,118)
Operating cash flows before movements in working capital	<b>45,449</b>	(14,809)
Decrease/(increase) in rental and utility deposits	<b>82</b>	(18)
Decrease in inventories	<b>4,811</b>	3,472
(Increase)/decrease in trade receivables	<b>(7,292)</b>	3,717
Increase in loan receivables	<b>(169,684)</b>	—
Increase in equity investments at fair value through profit or loss, net	<b>(99,000)</b>	—
Increase in prepayments, deposits and other receivables	<b>(50,525)</b>	(10,696)
(Decrease)/increase in trade payables	<b>(11,401)</b>	9,296
Increase in other payables and accruals	<b>30,357</b>	2,832
Cash used in operations	<b>(257,203)</b>	(6,206)
Income tax paid	<b>(7,334)</b>	(41)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(264,537)</b>	(6,247)

# Unaudited Condensed Consolidated Statement of Cash Flows

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>INVESTING ACTIVITIES</b>		
Interest received	<b>36,847</b>	361
Proceeds from disposal of subsidiaries and an associate	—	182,733
Increase in available-for-sale financial assets	<b>(980,000)</b>	—
Proceeds from disposal of other investment	<b>55,598</b>	—
Decrease in structured deposit	<b>558,659</b>	—
Decrease in deposits paid	<b>368</b>	—
Purchases of property, plant and equipment	<b>(4,577)</b>	(3,744)
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(333,105)</b>	179,350
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of new shares, net of expenses	—	182,970
New borrowings	<b>913,984</b>	203,319
Repayment of borrowings	<b>(337,665)</b>	(200,131)
Repayment of obligation under finance leases	<b>(496)</b>	(1,978)
Repayment of loans from a director	—	(2,166)
Interest paid	<b>(17,024)</b>	(7,803)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>558,799</b>	174,211
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(38,843)</b>	347,314
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>434,125</b>	96,985
Effect on foreign exchange rate changes	<b>5,972</b>	(5,828)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>401,254</b>	438,471
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	<b>401,254</b>	438,471



# Notes to the Unaudited Condensed Consolidated Financial Statements

## 1. GENERAL

China HKBridge Holdings Limited (formerly known as Topsearch International (Holdings) Limited) (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

As at 30 June 2017, Youfu Investment Co., Ltd. and Zhisheng Enterprise Investment Co., Ltd. are substantial shareholders of the Company and they are parties acting in concert of which they hold an aggregate of 34.86% of the issued share capital of the Company. At the same time, China Aim Holdings Limited and China Tian Yuan Manganese Limited are also substantial shareholders of the Company and each holds 13.66% and 16.39% of the issued share capital of the Company, respectively. Further details of which are set out under the heading “SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS’ INTERESTS IN SHARES AND UNDERLYING SHARES”.

As at 30 June 2017, in the opinion of the directors of the Company, the Company has no immediate and ultimate holding company.

During the Period, the Company and its subsidiaries (collectively referred to as the “**Group**”) was involved in the following activities:

- manufacturing and sale of a broad range of PCBs;
- investment and trading of securities and related treasury activities; and
- advising on securities, asset management services and rendering of investment and other consultancy related services.

## 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 (the “**Listing Rules**”) on the Stock Exchange. 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 2016.

# 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 certain financial assets or instruments 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 2016 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 2016.

# 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 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> 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

### (a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to strategic decisions.

*Six months ended 30 June 2017*

During the Period, the Group has three reportable segments. The segments are managed separately because each segment offers different products and services and requires different strategies. The following summary describes the operations in each of the Group's reportable segments:

Manufacturing segment — Manufacture and sales of PCBs

Treasury investments segment — Investment in securities and other treasury related activities

Financial services segment — Asset management, investment and other consultancy related services

In the opinion of the Directors, the current reporting operating segments are much in line with the chief operating decision-maker that are used to strategic decisions.

The following is an analysis of the Group's revenue and results by operating and reporting segments for the Period under review:

	<b>Manufacturing</b>	<b>Treasury</b>	<b>Financial</b>	<b>Total</b>
	<b>2017</b>	<b>investments</b>	<b>services</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue from external customers	282,991	(12,132)	101,730	372,589
Reportable segment (loss)/profit	(16,062)	8,134	43,598	35,670
Reportable segment assets	524,622	2,053,146	881,730	3,459,498
Reportable segment liabilities	439,807	1,015,569	787,071	2,242,447

*Six months ended 30 June 2016*

No segment information was presented for the six months ended 30 June 2016 as the manufacturing segment was the only meaningful active operating segment of the Group. All the other two segments were not in existence during the six months ended 30 June 2016.

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 3. SEGMENT INFORMATION *(continued)*

### (b) Geographical information

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

	<b>Six months ended 30 June</b>	
	<b>2017</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2016</b> <b>(Unaudited)</b> <b>HK\$'000</b>
Europe	<b>100,953</b>	81,389
Hong Kong	<b>23,003</b>	41,446
The People's Republic of China (the "PRC")	<b>73,916</b>	34,475
United States of America	<b>14,250</b>	25,178
Malaysia	<b>22,299</b>	18,227
Japan	<b>24,405</b>	17,242
Singapore	<b>12,040</b>	12,399
Thailand	—	4,349
Others	<b>12,125</b>	12,144
	<b>282,991</b>	246,849

*Note:*

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

All the Group's revenues from external customers on treasury investments and financial services segments are generated in Hong Kong.

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 4. REVENUE AND OTHER INCOME

Revenue represents (i) the amounts received and receivable for goods sold/services rendered by the Group to external customers, less returns, rebate, discounts and related taxes, if any; and (ii) fair value gain/(loss) on equity investments at fair value through profit or loss, net, during the Period.

The amount of each significant category of revenue recognised during the Period are as follows:

	<b>Six months ended 30 June</b>	
	<b>2017</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2016 (Unaudited) HK\$'000
Sales of goods	<b>282,991</b>	246,849
Investment referral and consultancy fee income	<b>101,730</b>	—
Unrealised fair value loss on equity investments at fair value through profit or loss, net	<b>(12,132)</b>	—
	<b>372,589</b>	246,849
Other income		
Interest income:		
— Loan receivables	<b>24,756</b>	—
— Loans to associates	<b>12,732</b>	—
— Bank deposits	<b>25</b>	361
Total interest income	<b>37,513</b>	361
Return on a private equity fund	<b>13,000</b>	—
Tooling income	<b>649</b>	648
Sample income	<b>1,726</b>	1,228
Government grants	<b>567</b>	—
Others	<b>114</b>	361
	<b>53,569</b>	2,598

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Reversal of provision for employee termination benefits	—	2,118
Net exchange (losses)/gains	(7,382)	4,585
Gain on disposal of other investment	5,598	—
Reversal of impairment loss on trade receivables	—	56
Gain on disposal of subsidiaries and an associate	—	40,283
	<b>(1,784)</b>	<b>47,042</b>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on:		
— Borrowings	25,276	4,485
— Loan from a related company	3,000	—
— Loans from a director	3,192	3,207
— Obligation under finance leases	13	111
— Arrangement fees	2,025	—
— Bank charges	115	—
	<b>33,621</b>	<b>7,803</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 7. PROFIT BEFORE INCOME TAX EXPENSE

This is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2017</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2016 (Unaudited) HK\$'000
Cost of inventories recognised as an expense	<b>248,216</b>	217,245
Cost of services rendered	<b>25,487</b>	—
(Reversal of)/write-down of inventories (Included in cost of inventories recognised as an expense) ( <i>Note</i> )	<b>(1,015)</b>	2,375
Depreciation of property, plant and equipment	<b>7,184</b>	9,131
Release of prepaid lease payments	<b>82</b>	64

*Note:*

The reversal of write-down of inventories arising from the increase in net realisable value, which was caused by the increase in ultimate actual scrap value.

## 8. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2017</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2016 (Unaudited) HK\$'000
The income tax expense comprises:		
Hong Kong Profits Tax:		
Current Period	<b>7,071</b>	—
PRC Enterprise Income Tax:		
Current Period	<b>8,559</b>	1,206
Under-provision in prior years	<b>—</b>	21
	<b>8,559</b>	1,227
Deferred tax credit	<b>(1,344)</b>	—
Income tax expense	<b>14,286</b>	1,227



# 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\$35,670,000 (six months ended 30 June 2016: HK\$8,916,000) and the weighted average number of ordinary shares in issue of 1,463,736,000 (six months ended 30 June 2016: 1,125,275,000) during the Period.

Diluted earnings per share is equal to basic earnings per share for the six months ended 30 June 2017 and 2016 as there were no potential dilutive ordinary shares in issue in both periods.

## 10. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Period (six months ended 30 June 2016: HK\$Nil).

## 11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment with a cost of approximately HK\$4,577,000 (six months ended 30 June 2016: approximately HK\$3,744,000).

## 12. INTERESTS IN ASSOCIATES

	<b>At 30 June 2017 (Unaudited) HK\$'000</b>	<b>At 31 December 2016 (Audited) HK\$'000</b>
Share of net assets other than goodwill	<b>59,544</b>	59,144
Goodwill on the acquisition	<b>1,566</b>	1,566
Loans to associates <sup>#</sup>	<b>383,535</b>	370,803
	<b>444,645</b>	431,513
Amount due to an associate*	<b>(10,440)</b>	(10,440)

<sup>#</sup> Included in the loans to associates as at 30 June 2017 is a balance due from an associate amounting to HK\$140,940,000 (31 December 2016: HK\$140,940,000) which is secured by the remaining 55% equity interest in that associate being held by the equity holder of that associate, bears interest at a rate of 18% per annum, and is repayable by 8 March 2018. The remaining balances are unsecured, interest free with no fixed repayment terms.

\* Amount due to an associate is unsecured, interest free and repayable on demand.

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

During the Period, the Group had made contributions to four separate private equity funds with an aggregate amount of HK\$980 million. Further details of all these four private funds were set out in the Company's announcements dated 23 December 2016, 25 January 2017 and 14 May 2017, respectively.

## 14. TRADE RECEIVABLES

Customers are generally granted with credit terms of 30 to 120 days (31 December 2016: 30 to 120 days). The Group closely monitors its outstanding trade receivables. Overdue balances are reviewed regularly by the Group's senior management. The ageing analysis of trade receivables (net of allowance for doubtful debts) based on invoice date at the end of the reporting period is as follows:

	<b>At 30 June 2017 (Unaudited) HK\$'000</b>	<b>At 31 December 2016 (Audited) HK\$'000</b>
0 — 30 days	<b>50,508</b>	54,645
31 — 60 days	<b>41,367</b>	35,703
61 — 90 days	<b>26,966</b>	21,191
Over 90 days	<b>—</b>	10
	<b>118,841</b>	111,549

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 15. LOAN RECEIVABLES

	<b>At 30 June 2017 (Unaudited) HK\$'000</b>	At 31 December 2016 (Audited) HK\$'000
Unsecured loans	<b>50,000</b>	—
Secured loans	<b>288,216</b>	123,799
Entrusted loans	—	43,799
	<b>338,216</b>	167,598
Current portion	<b>114,216</b>	167,598
Non-current portion	<b>224,000</b>	—
	<b>338,216</b>	167,598

*Note:*

As at 30 June 2017 and 31 December 2016, the loan receivables were neither past due nor impaired, and related to borrowers for whom there was no recent history of default. All outstanding loan receivables as at 30 June 2017 were granted to the borrowers during the Period and those outstanding loan receivables as at 31 December 2016 were fully repaid during the Period.

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 16. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>At 30 June 2017 (Unaudited) HK\$'000</b>	At 31 December 2016 (Audited) HK\$'000
Listed equity investments, at market value	<b>726,297</b>	639,429

During the Period, the Group acquired a total number of 90,000,000 shares in CIC at a consideration of HK\$99 million from an independent third party. As at 30 June 2017, it was remeasured at market value together with the other two listed securities already held by the Group since 31 December 2016. During the Period, other than that investment, there was no other addition or disposal of listed equity investment.

The above equity investments at 30 June 2017 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

Assuming the portfolio of the Group's listed equity investments has remained unchanged, the market value of the Group's listed equity investments at the date of publication of these unaudited condensed consolidated financial statements was approximately HK\$649,857,000.

## 17. TRADE PAYABLES

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

	<b>At 30 June 2017 (Unaudited) HK\$'000</b>	At 31 December 2016 (Audited) HK\$'000
0 — 30 days	<b>38,538</b>	44,027
31 — 60 days	<b>19,212</b>	29,923
61 — 90 days	<b>30,117</b>	23,372
Over 90 days	<b>35,266</b>	37,212
	<b>123,133</b>	134,534

The trade payables are non-interest bearing and are normally settled on terms of 60 to 120 days (31 December 2016: 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

## 18. BORROWINGS

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Secured bank loans repayable within one year	133,483	109,498
Other loans, unsecured	836,188	733,854
Other loans, secured	639,944	189,944
	<b>1,609,615</b>	1,033,296
Current portion	719,615	843,352
Non-current portion	890,000	189,944
	<b>1,609,615</b>	1,033,296

Certain of the Group's interest-bearing borrowings are secured by the followings:

1. certain buildings and payments for leasehold land held for own use under operating leases held by the Group;
2. the assignment of trade receivables of a subsidiary of the Group;
3. certain listed securities being held by the Group;
4. equity interest in an associate of the Group;
5. equity interests in certain subsidiaries of the Group's manufacturing segment; and
6. corporate guarantees of the Company.

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 19. LOANS FROM A DIRECTOR

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Unsecured loans from a director:		
— interest bearing at 7% and repayable on 2 January 2018	<b>93,076</b>	91,378

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

## 20. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each ( '000)	HK\$'000
Authorised:	<b>2,000,000</b>	200,000
Issued and fully paid:		
At 1 January 2016	<b>1,000,000</b>	100,000
Issue of ordinary shares on placements	<b>440,000</b>	44,000
At 31 December 2016 and 1 January 2017 (audited)	<b>1,440,000</b>	144,000
Vesting of ordinary shares under the Share Award Scheme	<b>24,000</b>	2,400
At 30 June 2017 (unaudited)	<b>1,464,000</b>	146,400

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 21. SHARE AWARD SCHEME

On 17 May 2016, the Company adopted 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 announcement dated 17 May 2016.

Afterwards, the Board resolved to award the Award Shares to two executive Directors of the Company namely Mr. Liu and Mr. Zhou under the Share Award Scheme, which will be vested in five equal batches on 31 March 2017, 2018, 2019, 2020 and 2021, respectively. 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 announcements dated 17 May 2016 and 24 August 2016, respectively and circulars dated 5 July 2016 and 30 September 2016, respectively.

The grants of the Award Shares to each of these two executive Directors were approved by independent shareholders of the Company at the special general meetings held on 20 July 2016 and 27 October 2016, respectively.

During the Period, all vesting conditions under the first batch of the Award Shares were fulfilled. 12,000,000 new ordinary Shares of the Company were issued and transferred to each of Mr. Liu and Mr. Zhou, respectively, details of which were set out in the Company's announcement dated 31 March 2017.

With effect from 26 July 2017, Mr. Zhou ceased to be an executive Director.

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 22. 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:

	<b>At 30 June 2017 (Unaudited) HK\$'000</b>	At 31 December 2016 (Audited) HK\$'000
Within one year	<b>9,023</b>	2,622
In the second to fifth years inclusive	<b>4,849</b>	356
	<b>13,872</b>	2,978

Operating lease payments represent rentals payable by the Group for its office properties and staff quarters both in Hong Kong and in the Mainland China. Leases are negotiated for terms of one to three (31 December 2016: one to three) years with fixed rentals.

## 23. CAPITAL COMMITMENTS

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

	<b>At 30 June 2017 (Unaudited) HK\$'000</b>	At 31 December 2016 (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	<b>3,010</b>	2,194
— committed investments	<b>110,000</b>	340,000
	<b>113,010</b>	342,194

Subsequent to 30 June 2017, the Group received a termination notice from the seller indicating that the seller decided to terminate the completion of the acquisition of listed securities of HK\$110 million. Further details in relation to the said termination were set out in the Company's announcement dated 25 July 2017.



# Notes to the Unaudited Condensed Consolidated Financial Statements

## 24. 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	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Keentop (Note (i))	Rental expenses and management fee expenses	1,062	1,062
Mr. Cheok (Note (ii))	Interest expenses on loans from a director	3,192	3,207
China Tian Yuan Management (Note (iii))	Rental expenses and management fee expenses	2,987	—
Instant Fortune Limited (Note (iv))	Interest expenses to a related party	3,000	—
深圳市盛達前海供應鏈有限公司 (Note 12)	Interest income from a loan to an associate	12,732	—

### Notes:

- (i) The amounts paid to Keentop, which is beneficially owned by Mr. Cheok, a director of the Company, and his spouse, related to a property leased as their residence. Further details were set out in the Company's announcement dated 28 May 2014 and under the heading "Continuing Connected Transactions" of Management Discussion and Analysis Section of this report.
- (ii) The interest expenses were charged at a fixed rate of 7% (six months ended 30 June 2016: 7%) per annum on the loans from a director during the Period.
- (iii) The amounts paid/payable to China Tian Yuan Management, which is beneficially owned by Mr. Jia Tianjiang ("Mr. Jia") and Mr. Jia indirectly owns China Tian Yuan Manganese Limited, a substantial shareholder of the Company. The amount charged by China Tian Yuan Management is similar to the amount charged by the ultimate landlord of the lease without mark-up. Further details were set out in the Company's announcement dated 10 May 2017 and under the heading "Continuing Connected Transactions" of Management Discussion and Analysis Section of this report.
- (iv) The interest expenses were charged by the related company based on the principal loan amount of HK\$200,000,000 at an annual interest rate of 3%. The loan is unsecured and is repayable by 19 October 2017. The related company is beneficially owned by one of the substantial shareholders of the Company.

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 24. RELATED PARTY TRANSACTIONS *(continued)*

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

	<b>Six months ended 30 June</b>	
	<b>2017</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2016 (Unaudited) HK\$'000
Short-term benefits	<b>10,648</b>	10,197
Post-employment benefits	<b>296</b>	181
	<b>10,944</b>	10,378

## 25. 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).

Equity investments at fair value through profit or loss are measured at fair value grouped into Level 1 (31 December 2016: Level 1). The fair value is determined with reference to quoted market prices in an active market.

Certain available-for-sale financial assets amounting to HK\$2,107,000 (31 December 2016: HK\$2,107,000) are measured subsequent to initial recognition at fair value, grouped into Level 2 (31 December 2016: Level 2).



# Notes to the Unaudited Condensed Consolidated Financial Statements

## 25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

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.

## 26. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 16 August 2017, the Group entered into an entrusted loan agreement with the borrower and the lending agent in relation to the provision of an entrusted loan to the borrower. Pursuant to the entrusted loan agreement dated on the same date, the Group agreed to entrust a loan principal amount of RMB150 million (equivalent to HK\$174 million) to the borrower through the lending agent. The entrusted loan carries an annual interest rate of 18% for a term of two years from the drawdown date.

The entrusted loan is to be secured by (a) a pledge over the entire equity interest in the borrower; and (b) a charge to be created on certain land use rights on a piece of land located in Weihai City, Shandong Province, the PRC held by the borrower in favour of the lending agent.

Further details in relation to the entrusted loan arrangement were set out in the Company's announcement dated 16 August 2017.

# Disclosure of Additional Information

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 24 to the unaudited condensed consolidated financial statements, no Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party subsisting during or for the Period.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

### 1. Directors' interests in Shares

Other than those disclosed in note 21 to the unaudited condensed consolidated financial statements, as at 30 June 2017, 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 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 were as follows:

Name of director	Capacity	Nature of interest	Number of ordinary Shares held	Percentage of issued capital
Liu Tingan	Beneficial owner	Long position	12,000,000	0.82%
Zhou Huorong <sup>#</sup>	Beneficial owner	Long position	12,000,000	0.82%

Save as disclosed above, as at 30 June 2017, none of the Company's directors and/or close associates held any shares in the Company.

<sup>#</sup> With effect from 26 July 2017, Mr. Zhou ceased to be an executive Director.

# Disclosure of Additional Information

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

### Long positions in shares:

As at 30 June 2017, 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	Capacity	Nature of interest	Number of ordinary Shares held	Percentage of issued capital
Youfu Investment Co., Ltd ("Youfu")	(1)	Beneficial owner	Long position	340,192,667	23.24%
Mr. Sun Mingwen	(1)	Interests of corporation controlled	Long position	340,192,667	23.24%
Zhisheng Enterprise Investment Co., Ltd. ("Zhisheng")	(2)	Beneficial owner	Long position	170,097,333	11.62%
Ms. He Yeqin	(2)	Interests of corporation controlled	Long position	170,097,333	11.62%
China Aim Holdings Limited ("China Aim")	(3)	Beneficial owner	Long position	200,000,000	13.66%
Ms. Liu Hui	(3)	Interests of corporation controlled	Long position	200,000,000	13.66%
China Tian Yuan Manganese Limited ("China Tian Yuan")	(4)	Beneficial owner	Long position	240,000,000	16.39%
寧夏天元錳業有限公司 ("Ningxia Tian Yuan")	(4)	Interests of corporation controlled	Long position	240,000,000	16.39%
Mr. Jia Tianjiang	(4)	Interests of corporation controlled	Long position	240,000,000	16.39%
Ms. Dong Jufeng	(4)	Interests of corporation controlled	Long position	240,000,000	16.39%

# 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 and is deemed to be interested in the 340,192,667 Shares, representing approximately 23.24% of the total issued Shares as at 30 June 2017, held by Youfu under the SFO.
2. Ms. He Yeqin is the beneficial owner of the entire issued share capital of Zhisheng and is deemed to be interested in the 170,097,333 Shares representing approximately 11.62% of the total issued Shares as at 30 June 2017, held by Zhisheng under the SFO.
3. Ms. Liu Hui is the beneficial owner of the entire issued share capital of China Aim and is deemed to be interested in the 200,000,000 Shares representing approximately 13.66% of the total issued Shares as at 30 June 2017, held by China Aim under the SFO.
4. Ms. Dong Jufeng is the spouse of Mr. Jia Tianjiang. The shares of China Tian Yuan are wholly-owned by Ningxia Tian Yuan whose shares are 99.62% held by Mr. Jia Tianjiang. Thus, Mr. Jia Tianjiang, Ms. Dong Jufeng and Ningxia Tian Yuan are deemed to be interested in the 240,000,000 shares representing approximately 16.39% of the total issued Shares as at 30 June 2017, held by China Tian Yuan under the SFO.

## MATERIAL CHANGES

There has been no material change in respect of any other matters since the publication of the Company's 2016 Annual Report except for the change of the Company's name, stock short name, logo and website of which further details were set out in the Company's announcements dated 27 February 2017 and 1 March 2017.

## 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.

# Disclosure of Additional Information

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company opine that the Company has properly operated during the Period in accordance with the Corporate Governance Code and Corporate Governance Report (the “CG Code”) 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 of the CG Code during the Period 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 confirmed that the existing terms of reference for the audit committee are in compliance with the new requirements under the amendments to C.3.3 of the CG Code.

### **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 except for the deviation mentioned below.

During the Period, Mr. Liu Tingan was the Chairman as well as the Chief Executive Officer of the Company. 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.

# Disclosure of Additional Information

## CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

### **Compliance with CG Code** *(continued)*

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.

### **Risk Management and Internal Control**

The Company has in practice complied with the new requirements under the CG Code relating to risk management and internal control in accordance with the terms of reference of the audit committee.

The audit committee receives the delegated responsibility from the Board to assure that the Group has followed adequate risk management and internal controls by implementing sufficient systems to manage these risks. 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.

## 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 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.

## AUDIT COMMITTEE

The audit committee of the Board, comprising all the three independent non-executive Directors of the Company, has reviewed the Group's unaudited condensed consolidated financial statements for the Period 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.



# Disclosure of Additional Information

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of 2016 Annual Report of the Company are set out below:

<b>Directors</b>	<b>Details of Changes</b>
Ng Man Kung	Appointed as an independent non-executive director of Shanghai Zendai Property Limited (Stock Code: 755) on 25 May 2017.
Lau Fai, Lawrence	Acted as an independent non-executive director of Artini China Co. Ltd and that listed company was subsequently renamed as Primeview Holdings Limited (Stock Code: 789) with effect from 14 March 2017.
Ngai Wai Fung	<p>Ceased to act as an independent non-executive director of China Coal Energy Company Limited (Stock Code: 1898 and Shanghai Stock Exchange (“SSE”) Code: 601898) on 26 June 2017; and</p> <p>Ceased to act as an independent non-executive director of China Railway Group Limited (Stock Code: 390 and SSE Code: 601390) on 28 June 2017.</p>