

ROU ND THE CLOCK

INTERIM REPORT 2015



iOne Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock code: 982

www.ione.com.hk





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Corporate Information

Board of Directors

Executive directors

Mr. Li Guangning (*Chairman*)
Mr. Xie Wei (*Chief Executive Officer*)
Ms. Zhong Ming (*Chief Financial Officer*)
Mr. Lau Wai Shu (resigned on 1 June 2015)

Independent non-executive directors

Dr. Chen Jieping
Dr. Sun Mingchun
Mr. Tse Yung Hoi

Audit Committee

Dr. Chen Jieping (*Chairman*)
Dr. Sun Mingchun
Mr. Tse Yung Hoi

Remuneration Committee

Dr. Sun Mingchun (*Chairman*)
Dr. Chen Jieping
Mr. Tse Yung Hoi
Mr. Xie Wei
Ms. Zhong Ming

Nomination Committee

Mr. Tse Yung Hoi (*Chairman*)
Dr. Chen Jieping
Dr. Sun Mingchun

Solicitor

Mayer Brown JSM

Auditor

PricewaterhouseCoopers

Joint Company Secretaries

Ms. Li Yanmei
Ms. Lee Mei Yi

Head Office and Principal Place of Business in Hong Kong

Room 3605, 36/F
Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Bermuda Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited

Bermuda Resident Representative

Codan Services Limited

Authorised Representatives

Mr. Xie Wei
Ms. Li Yanmei

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

982

Website Address

www.ioneholdings.com

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

| | Notes | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Turnover | 5 | 81,184 | 94,313 |
| Cost of services provided | | (42,950) | (47,711) |
| Gross profit | | 38,234 | 46,602 |
| Other income | 6 | – | 103 |
| Other gains, net | 6 | 75 | 2,977 |
| Selling and distribution expenses | | (6,915) | (6,994) |
| Administrative expenses | | (18,334) | (24,315) |
| Operating profit | | 13,060 | 18,373 |
| Finance income | | 98 | 1,641 |
| Profit before income tax | | 13,158 | 20,014 |
| Income tax expense | 8 | (2,699) | (2,946) |
| Profit for the period attributable to owners of the Company | | 10,459 | 17,068 |
| Other comprehensive loss: | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Changes in value on available-for-sale financial investments | | – | (4,582) |
| Total comprehensive income for the period attributable to owners of the Company | | 10,459 | 12,486 |
| Earnings per share for profit attributable to owners of the Company (HK cents) | | | |
| – Basic and diluted | 9 | 0.11 | 0.19 |
| Dividend | 10 | – | 216,016 |

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2015

| | Notes | 30 June 2015 HK\$'000 (Unaudited) | 31 December 2014 HK\$'000 (Audited) |
|--|-------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 5,230 | 4,976 |
| Investment property | 12 | 6,800 | 6,600 |
| Deposits | | 3,294 | 3,294 |
| | | <u>15,324</u> | <u>14,870</u> |
| Current assets | | | |
| Amounts due from customers on services contracts | | 6,086 | 6,526 |
| Trade receivables | 13 | 56,712 | 59,341 |
| Other receivables, deposits and prepayments | | 7,485 | 6,952 |
| Income tax recoverable | | – | 1,528 |
| Cash and cash equivalents | | 43,019 | 29,713 |
| | | <u>113,302</u> | <u>104,060</u> |
| Total assets | | <u>128,626</u> | <u>118,930</u> |
| Equity | | | |
| Share capital | | 2,300 | 2,300 |
| Reserves | | 86,112 | 75,653 |
| Total equity | | <u>88,412</u> | <u>77,953</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 318 | 318 |
| Current liabilities | | | |
| Trade payables | 14 | 12,355 | 14,573 |
| Other payables and accruals | | 26,370 | 26,086 |
| Income tax payable | | 1,171 | – |
| | | <u>39,896</u> | <u>40,659</u> |
| Total liabilities | | <u>40,214</u> | <u>40,977</u> |
| Total equity and liabilities | | <u>128,626</u> | <u>118,930</u> |
| Net current assets | | <u>73,406</u> | <u>63,401</u> |
| Total assets less current liabilities | | <u>88,730</u> | <u>78,271</u> |

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

| | Attributable to owners of the Company | | | | | |
|--|---------------------------------------|---------------------------|-----------------------------|--|-------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Special reserve HK\$'000 | Available-for-sale investments reserve HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 |
| At 1 January 2015 (Audited) | 2,300 | 39,914 | 4,451 | – | 31,288 | 77,953 |
| Profit for the period | – | – | – | – | 10,459 | 10,459 |
| Total comprehensive income for the period | – | – | – | – | 10,459 | 10,459 |
| At 30 June 2015 (Unaudited) | 2,300 | 39,914 | 4,451 | – | 41,747 | 88,412 |
| At 1 January 2014 (Audited) | 2,300 | 39,914 | 4,451 | 4,582 | 229,639 | 280,886 |
| Profit for the period | – | – | – | – | 17,068 | 17,068 |
| Other comprehensive loss: | | | | | | |
| Reserve released upon disposal of available-for-sale investments | – | – | – | (4,582) | – | (4,582) |
| Total comprehensive income for the period | – | – | – | (4,582) | 17,068 | 12,486 |
| Special dividend recognised as distributions (Note 10) | – | – | – | – | (216,016) | (216,016) |
| At 30 June 2014 (Unaudited) | 2,300 | 39,914 | 4,451 | – | 30,691 | 77,356 |

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Cash flows from operating activities | | |
| Operating profit before changes in working capital | 13,678 | 14,703 |
| Decrease/(increase) in amounts due from customers on service contracts | 440 | (2,096) |
| Decrease/(increase) in trade receivables | 2,629 | (22,696) |
| (Increase)/decrease in other receivables, deposits and prepayments | (533) | 60 |
| Decrease in amount due from a related company | – | 184 |
| Increase in amount due to a related company | – | 351 |
| (Decrease)/increase in trade payables | (2,218) | 9,897 |
| Increase in other payables and accruals | 284 | 7,671 |
| Net cash generated from operating activities | 14,280 | 8,074 |
| Cash flows from investing activities | | |
| Interest received | 98 | 1,641 |
| Dividend received | – | 103 |
| Purchases of property, plant and equipment | (1,072) | (565) |
| Decrease in fixed deposits with original maturities of over three months | – | 34,865 |
| Proceeds from disposal of property, plant and equipment | – | 3 |
| Proceeds from disposal of available-for-sale investments | – | 71,087 |
| Net cash (used in)/generated from investing activities | (974) | 107,134 |
| Cash flows from financing activities | | |
| Dividend paid | – | (216,016) |
| Net cash used in financing activities | – | (216,016) |
| Net increase/(decrease) in cash and cash equivalents | 13,306 | (100,808) |
| Cash and cash equivalents at beginning of the period | 29,713 | 121,372 |
| Cash and cash equivalents at end of the period | 43,019 | 20,564 |

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

1. Basis of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. Accounting Policies

The condensed consolidated interim financial statements have been prepared under the historical cost basis, except for certain financial instruments and investment property, which are measured at fair value.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

(a) New and amended standards adopted by iOne Holdings Limited (the "Company") and its subsidiaries (the "Group")

The following new and amended standards are mandatory for the first time for the financial year beginning on 1 January 2015.

| Standards/Interpretations | Subject of amendment |
|---------------------------|-------------------------------------|
| Amendment to HKAS 19 | Defined benefit plans |
| Annual improvements 2012 | Annual improvements 2010–2012 cycle |
| Annual improvements 2013 | Annual improvements 2011–2013 cycle |

The adoption of the above new and amended standards and interpretations did not have a material impact on the condensed consolidated interim financial information.

2. Accounting Policies *(continued)*

- (b) *New and amended standards that have been issued and are effective for periods commencing on or after 1 January 2016 and have not been early adopted by the Group*

| Standards | Subject of amendment | Effective for annual periods beginning on or after |
|--|---|--|
| HKFRS 14 | Regulatory deferral accounts | 1 January 2016 |
| Amendment to HKFRS 11 | Accounting for acquisitions of interests in joint operation | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: bearer plants | 1 January 2016 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | 1 January 2016 |
| Amendment to HKAS 27 | Equity method in separate financial statements | 1 January 2016 |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: applying the consolidation exception | 1 January 2016 |
| Amendments to HKAS 1 | Disclosure initiative | 1 January 2016 |
| Annual improvements 2014 | Annual improvements 2012-2014 cycle | 1 January 2016 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2017 |
| HKFRS 9 | Financial instruments | 1 January 2018 |

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in.

Taxes on income in the interim periods are accrued using the average tax rate that would be applicable to expected total annual taxable profit.

There are no new, amended standards and interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

3. Estimates

The preparation of interim financial information 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 expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, 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 consolidated financial statements for the year ended 31 December 2014.

4. Financial Risk Management and Financial Instruments

4.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, currency risk and price risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management department or in any risk management policies since the year end.

4.2 *Liquidity risk*

Compared to year end, the contractual undiscounted cash outflows for financial liabilities has decreased significantly. Management assessed this has no material impact to the liquidity risk.

4.3 *Fair value estimation*

The Group's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

There are no financial assets that are measured at fair value at 30 June 2015 (31 December 2014: Nil). The carrying values less impairment provision of trade and other receivables and payables, and amounts due from customers on services contracts are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5. Turnover and Segment Information

The Group is principally engaged in the following:

- Financial printing services and investments holding – provision of financial printing and translation services and investments holding; and
- Property investment – property rental.

The chief operating decision-maker has been identified as the executive directors of the Company (“Executive Directors”). The Executive Directors review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group’s operating businesses are structured and managed separately according to the nature of operations. Each of the Group’s reportable segments represents a strategic business unit that is subject to risks and returns that are different from other reportable operating segments.

The Executive Directors consider all assets and revenue relating to the operations are primarily located in Hong Kong.

Segment assets mainly exclude cash and cash equivalents, income tax recoverable and other assets that are managed on a central basis.

Segment liabilities mainly exclude income tax payable, deferred tax liabilities, and other liabilities that are managed on a central basis.

The Executive Directors assess the performance of the operating segments based on their underlying profits, which is measured by profit before income tax, excluding income and expenses that are managed on a central basis.

| | Financial printing services and investments holding | | Property investment | | Total | |
|---------------------------------------|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 30 June 2015 HK\$'000 | 30 June 2014 HK\$'000 | 30 June 2015 HK\$'000 | 30 June 2014 HK\$'000 | 30 June 2015 HK\$'000 | 30 June 2014 HK\$'000 |
| Revenue from external customers | 81,076 | 94,217 | 108 | 96 | 81,184 | 94,313 |
| Segment results | 15,740 | 20,703 | 301 | 2,014 | 16,041 | 22,717 |
| Unallocated other operating income | | | | | 21 | 2,772 |
| Unallocated expenses | | | | | (2,904) | (5,475) |
| Income tax expenses | | | | | (2,699) | (2,946) |
| Profit for the period | | | | | 10,459 | 17,068 |

5. Turnover and Segment Information *(continued)*

| | 30 June 2015 HK\$'000 | 31 December 2014 HK\$'000 | 30 June 2015 HK\$'000 | 31 December 2014 HK\$'000 | 30 June 2015 HK\$'000 | 31 December 2014 HK\$'000 |
|---|-----------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
| Segment assets | 78,417 | 80,275 | 6,805 | 6,604 | 85,222 | 86,879 |
| Unallocated assets | | | | | 43,404 | 32,051 |
| Total assets | | | | | 128,626 | 118,930 |
| Segment liabilities | 38,479 | 38,652 | 70 | 73 | 38,549 | 38,725 |
| Unallocated liabilities | | | | | 1,665 | 2,252 |
| Total liabilities | | | | | 40,214 | 40,977 |
| | 30 June 2015 HK\$'000 | 30 June 2014 HK\$'000 | 30 June 2015 HK\$'000 | 30 June 2014 HK\$'000 | 30 June 2015 HK\$'000 | 30 June 2014 HK\$'000 |
| Other segment information: | | | | | | |
| Additions to non-current assets | 1,072 | 565 | - | - | 1,072 | 565 |
| Depreciation (Note 7) | 818 | 740 | - | - | 818 | 740 |
| Gain on disposal of available-for-sale investments (Note 6) | - | 2,585 | - | - | - | 2,585 |

6. Other Income and Other Gains, Net

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Other income: | | |
| Dividend income | - | 103 |
| Other gains, net: | | |
| Charge in fair value of investment property | 200 | 1,948 |
| Gain on disposals of available-for-sale investments | - | 2,585 |
| Net foreign exchange loss | (136) | (1,621) |
| Others | 11 | 65 |
| | 75 | 2,977 |

7. Expenses by Nature

Expenses including cost of services provided, selling and distribution expenses and administrative expenses are analysed as follows:

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Service cost | 21,199 | 25,683 |
| Employee benefit expenses (including directors' emoluments) | 33,078 | 35,675 |
| Legal and professional fees | 506 | 2,540 |
| Operating leases in respect of: | | |
| – rental of office premises | 6,631 | 6,208 |
| – office equipment | 510 | 510 |
| Depreciation of property, plant and equipment | 818 | 740 |
| Others | 5,457 | 7,664 |
| | <u>68,199</u> | <u>79,020</u> |

8. Income Tax Expense

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods.

| | Six months ended 30 June | |
|-------------------------|---------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Current income tax | | |
| – Hong Kong profits tax | 2,699 | 2,946 |

9. Earnings Per Share

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$10,459,000 (six months ended 30 June 2014: HK\$17,068,000) and 9,200,000,000 (six months ended 30 June 2014: 9,200,000,000) shares in issue during the period.

Diluted earnings per share equals to basic earnings per share, as there are no potential dilutive ordinary shares outstanding during both periods.

10. Dividend

The directors of the Company (the "Directors") do not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

A special dividend amounting to approximately HK\$216,016,000 was proposed and approved by the board of Directors (the "Board") on 14 April 2014. The dividend was paid on 11 June 2014.

11. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment with an aggregate cost of approximately HK\$1,072,000 (six months ended 30 June 2014: HK\$565,000).

12. Investment Property

| | Six months ended 30 June | |
|-------------------------|---------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| At fair value | | |
| Beginning of the period | 6,600 | 4,552 |
| Addition | – | – |
| Fair value gains | 200 | 1,948 |
| End of the period | 6,800 | 6,500 |

The investment property is held on finance lease of over 50 years in Hong Kong.

An independent valuation of the Group's investment property was performed by AVISTA Valuation Advisory Limited (the "Valuer"), to determine the fair value of the investment property as at 30 June 2015. The revaluation gains or losses is included in "Other gains, net" in profit or loss.

The following table analyses the investment property carried at fair value, by valuation method.

| Description | Fair value measurements using | | |
|--|--|---|---|
| | Quoted prices in active markets for identical assets (Level 1) HK\$'000 | Significant other observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 |
| As at 30 June 2015 | | | |
| Recurring fair value measurements | | | |
| Investment property: | | | |
| – Commercial property located in Hong Kong | – | – | 6,800 |
| As at 31 December 2014 | | | |
| Recurring fair value measurements | | | |
| Investment property: | | | |
| – Commercial property located in Hong Kong | – | – | 6,600 |

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the period.

12. Investment Property *(continued)*

Valuation processes of the Group

The Group's investment property was valued at 30 June 2015 and 31 December 2014 by independent professionally qualified valuer who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the head of finance department. Discussions of valuation processes and results are held between the head of finance department and the Valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 30 June 2015, the fair value of the property has been determined by the Valuer.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

Fair value is defined as "is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Fair values of the commercial properties in Hong Kong are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and the Valuer's interpretation of prevailing investor requirements or expectations. There are two significant unobservable inputs adopted by the Valuer, which are (1) prevailing market rents and (2) capitalisation rates.

(1) Prevailing market rents

Prevailing market rents are estimated based on independent valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

(2) Capitalisation rates

Capitalisation rates are estimated by independent valuers based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

There was no change to the valuation technique during the six months ended 30 June 2015.

The Group reviews the valuation performed by independent valuer for financial reporting purposes. Discussion of valuation processes and results are held between management and independent qualified valuer twice a year for financial reporting purpose.

13. Trade Receivables

The Group's sales are mainly made on credit terms of 90 days. The ageing analysis of trade receivables based on invoice date at the end of reporting period is as follows:

| | 30 June 2015 <i>HK\$'000</i> (Unaudited) | 31 December 2014 <i>HK\$'000</i> (Audited) |
|---------------|---|---|
| 0–90 days | 45,342 | 32,127 |
| 91–180 days | 3,867 | 23,934 |
| 181–270 days | 887 | 2,481 |
| 271–365 days | 2,021 | 493 |
| Over 365 days | 4,595 | 306 |
| | <hr/> 56,712 <hr/> | <hr/> 59,341 <hr/> |

14. Trade Payables

The average credit period from the Group's trade creditors is of 30 to 60 days. The ageing analysis of trade payables based on invoice date at the end of reporting period is as follows:

| | 30 June 2015 <i>HK\$'000</i> (Unaudited) | 31 December 2014 <i>HK\$'000</i> (Audited) |
|---------------|---|---|
| 0–90 days | 9,135 | 12,997 |
| 91–180 days | 199 | 1,195 |
| 181–365 days | 2,629 | 28 |
| Over 365 days | 392 | 353 |
| | <hr/> 12,355 <hr/> | <hr/> 14,573 <hr/> |

15. Operating Leases

(a) As lessees

The Group leases a number of office premises and office equipments under operating leases. The leases generally run for a period of two to five years. None of the leases includes contingent rentals.

At the end of reporting period, the Group was committed to make the following future minimum lease payments in respect of rented office premises and equipment under non-cancellable operating leases, which fall due as follows:

| | 30 June 2015 HK\$'000 (Unaudited) | 31 December 2014 HK\$'000 (Audited) |
|---|--|--|
| Not later than one year | 15,650 | 13,258 |
| Later than one year but not later than five years | 10,048 | 12,068 |
| | <u>25,698</u> | <u>25,326</u> |

16. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these condensed consolidated interim financial information, the Group had the following transactions with related parties during the period:

| | Six months ended 30 June 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
|---|---|---------------------------------|
| Printing income received from a former related company (Note) | — | 163 |
| Translation fee to a former related company (Note) | — | 579 |

Note: The amounts represent a former related company for which a former director of the Company is also a director of the related company with reference to market rents of similar services.

16. Related Party Transactions *(continued)*

Compensation of key management personnel

The remuneration of Directors and other members of key management during the period are as follows:

| | Six months ended 30 June | |
|--------------------------|---------------------------------|---------------------------------|
| | 2015 HK\$'000 (Unaudited) | 2014 HK\$'000 (Unaudited) |
| Short-term benefits | 7,830 | 6,778 |
| Bonus | 2,438 | 6,855 |
| Post-employment benefits | 35 | 33 |
| | <u>10,303</u> | <u>13,666</u> |

The remuneration of Directors and key management is determined having regard to the performance of individuals and market trends.

17. Events occurred after the Reporting Period

On 8 August 2015, the Company, as one of the purchasers, entered into the sale and purchase agreement with, among others, Mr. Szeto Wing Tak and Mr. Cheung Kam Chiu, as sellers, for the acquisition of 3% equity interest of Johnson Cleaning Services Company Limited at a consideration of approximately HK\$7.6 million. Details of the sale and purchase agreement were set out in the announcement of the Company dated 9 August 2015. The transaction has been completed on 17 August 2015 as all the conditions precedent under the sale and purchase agreement have been fulfilled.

Management Discussion and Analysis

Business Review

In the first half of 2015, the global economy divergence continued amid moderate recovery in the United States of America (the "U.S."), fragile and uneven conditions in Europe and slowdown in China. The Asian and European major stock markets recorded positive returns in the global low interest rate environment with abundant liquidity flows. As compared to the corresponding period in 2014, the total number of Initial Public Offering ("IPO") in Hong Kong stock market slightly dropped by approximate 1.9% from 52 to 51, however, generating an increase of approximately 57.6% in terms of total funds raised.

Financial Review

For the six months ended 30 June 2015 (the "Period under Review"), the Group recorded a turnover of approximately HK\$81,184,000 (six months ended 30 June 2014: approximately HK\$94,313,000), representing a decrease of approximately 13.9% as compared with the corresponding period in 2014. The Group's profit before income tax decreased by approximately 34.3% to approximately HK\$13,158,000 (six months ended 30 June 2014: approximately HK\$20,014,000).

During the Period under Review, the profit attributable to owners of the Company was approximately HK\$10,459,000 (six months ended 30 June 2014: approximately HK\$17,068,000), representing a decrease of approximately 38.7% as compared with the corresponding period in 2014. Basic earnings per share was approximately HK0.11 cent (six months ended 30 June 2014: HK0.19 cent).

The decrease in profit attributable to owners of the Company was mainly attributable to the following reasons: (i) while a one-off gain on disposals of available-for-sale investments (including equity investments and corporate bonds) of approximately HK\$2,585,000 and interest income of approximately HK\$439,000 from corporate bonds were recognized for the six months ended 30 June 2014, there is no such income for the corresponding period in 2015; (ii) a decrease in fair value gain on revaluation from investment property for approximately HK\$1,748,000 for the six months ended 30 June 2015 as compared to that for the corresponding period in 2014; and (iii) a decrease of approximately 13.9% in the revenue of the Group as mentioned above, which is mainly due to the intensified competition in the market. Disregarding the one-off gain, interest income from corporate bonds disposed of and the decrease in fair value gain on revaluation as set out in (i) and (ii) above, the Group's profits from continuing operations for the six months ended 30 June 2015 decreased by approximately 15.2% as compared to that for the corresponding period in 2014.

Management Discussion and Analysis *(continued)*

Liquidity and Financial Resources

As at 30 June 2015, the Group's cash and cash equivalents amounted to approximately HK\$43,019,000 (31 December 2014: approximately HK\$29,713,000) with no borrowings (31 December 2014: Nil). The Group has total current assets of approximately HK\$113,302,000 (31 December 2014: approximately HK\$104,060,000) and total current liabilities of approximately HK\$39,896,000 (31 December 2014: approximately HK\$40,659,000). The Group's current ratio, defined as total current assets over total current liabilities, was 2.8 (31 December 2014: 2.6).

Total equity of the Group as at 30 June 2015 amounted to approximately HK\$88,412,000 (31 December 2014: approximately HK\$77,953,000). The Group's gearing ratio, being total liabilities over total assets, was 31.3% (31 December 2014: 34.5%).

Pledge of Assets

As at 30 June 2015, the Group had no pledge of assets.

Capital Structure

The Group's capital structure remained unchanged during the six months ended 30 June 2015.

Contingent Liabilities

As at 30 June 2015, the Group did not have any material contingent liabilities.

Business Plan

Financial Printing Service

The Group's fundamental business objective is to establish itself as an international financial printing service provider in the financial sector by strengthening its core competitiveness.

To provide a practical platform for strengthening business ties to the Mainland China, the Group has continuously maintained a representative office in Beijing as a liaison point. The Group will study the further development plan for operation of the translation hub and the back-up office in the Mainland China in order to realise the benefits of lower production costs and skilled labour supply. Furthermore, the Group will continue to improve its office facilities, streamline work procedures and upgrade its software and equipment so as to enhance its competitiveness.

Management Discussion and Analysis *(continued)*

Business Plan *(continued)*

Property Investment

In order to diversify its business activities, the Group will continue to hold its property investment for a steady income stream.

To maximise profits and returns for the Group and its shareholders, the Group will focus on enhancing the competitiveness of its core business and simultaneously, continue to explore new business opportunities.

Employees

As at 30 June 2015, the Group had a total of about 183 employees (31 December 2014: approximately 168). The staff costs of the Group during the Period under Review were approximately HK\$33,078,000 (six months ended 30 June 2014: approximately HK\$35,675,000), which comprised salaries, commissions, bonuses, other allowances and contributions to the retirement benefit scheme. The Group operates a defined contribution scheme under the Mandatory Provident Fund Schemes Ordinance and provides medical insurance to all employees. Basically, the Group structured its employee remuneration packages with reference to general market practice, employees' duties and responsibilities, and the Group's financial performance. The Group provides training courses and training programmes to equip staff with the necessary skills, techniques and knowledge in order to enhance their productivity and administrative efficiency.

Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2015.

Interest Rate Risk

The Group had interest-bearing cash and bank balances calculated by variable interest rates. As there was no significant financial risk arising from changes in interest rates, the Group had no interest rate hedging policies in place.

Foreign Exchange Risk

The Group conducted its business transactions principally in Hong Kong dollars ("HK\$"). As at 30 June 2015, most of the Group's cash and bank deposits balances were mainly denominated in HK\$ and United States Dollars ("US\$"). As HK\$ is pegged to US\$, the Group's foreign exchange risk exposure is minimal. As such, the Group did not adopt any foreign exchange derivatives for hedging purpose as at 30 June 2015.

Management Discussion and Analysis *(continued)*

Credit Risk

The Group's credit risks mainly arise from trade receivables and bank deposits. The Group strives to manage the risk exposure of trade receivables by closely monitoring the payment records of its customers and requesting customers deposits wherever necessary. The credit risk on the bank deposits is limited because of their high credit rating.

Other Information

Share Option Scheme

Pursuant to the resolution passed by shareholders of the Company on 25 June 2008, the Company approved and adopted a share option scheme whereby selected classes of participants may be granted options to subscribe for shares at the discretion of the Board. No options were granted under the share option scheme during the six months ended 30 June 2015.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

Audit Committee

The Group has established an audit committee (the "Audit Committee") consisting of three independent non-executive Directors, namely Dr. Chen Jieping, Dr. Sun Mingchun and Mr. Tse Yung Hoi. Dr. Chen Jieping is the chairman of the Audit Committee. The primary duty of the Audit Committee is to review the financial reporting system and effectiveness of internal control procedures of the Group. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2015.

Directors' and Chief Executive's Interests and Short Positions in Shares

As at 30 June 2015, none of the Directors or the chief executive of the Company or their close associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have been taken under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Other Information *(continued)*

Interest of Substantial Shareholders

As far as was known to the Directors, as at 30 June 2015, the interests or short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in ordinary shares of HK\$0.00025 each of the Company

| Name of Substantial Shareholders | Capacity/Nature of interest | Number of shares held | Approximate percentage of interested shares to the issued share capital of the Company (%) |
|---|-------------------------------------|-----------------------|--|
| Zhuhai Huafa Group Co., Ltd. ("Zhuhai Huafa") (Note 1) | Interest in controlled corporations | 3,707,600,000 | 40.30 |
| Cai Guang (Note 2) | Interest in controlled corporations | 1,337,753,600 | 14.54 |
| Guangdong Constar Group Investment Co. Limited (Note 2) | Interest in controlled corporations | 483,846,400 | 5.30 |
| Hong Kong Hop Chong Investment Limited (Note 2) | Interest in controlled corporations | 483,846,400 | 5.30 |

Other Information *(continued)*

Interest of Substantial Shareholders *(continued)*

Notes:

1. Zhuhai Huafa holds 100% of the issued share capital of Hong Kong Huafa Investment Holdings Limited, which in turn holds 100% of the issued share capital of Huajin Investment Company Limited ("Huajin"). Since Huajin holds 3,707,600,000 shares of the Company, Zhuhai Huafa is deemed to be interested in 3,707,600,000 shares of the Company by virtue of its shareholding in Huajin.
2. Mr. Cai Guang holds 100% of the issued share capital of Guangdong Constar Group Investment Co. Limited (incorporated in the British Virgin Islands) ("Constar"), which holds 426,953,600 shares of the Company.

Mr. Cai Guang holds 100% of the issued share capital of Guangdong Constar Group Investment Co. Limited (incorporated in Samoa), which in turn holds 100% of the issued share capital of Hong Kong Hop Chong Investment Limited ("Hop Chong"). Hop Chong holds 483,846,400 shares of the Company.

Mr. Cai Guang also holds 100% of the issued share capital of Hong Kong Hop Wing Investment Limited, which in turn holds 100% of the issued share capital of Jinglong Investment Holdings Limited ("Jinglong"). Jinglong holds 426,953,600 shares of the Company.

Therefore, Mr. Cai Guang is deemed to be interested in a total of 1,337,753,600 shares of the Company by virtue of his shareholding in Constar, Hop Chong and Jinglong.

Save as disclosed above, as at 30 June 2015, no person had any interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or otherwise notified to the Company and the Stock Exchange.

Other Information *(continued)*

Outlook

Looking forward, the Group is still cautiously optimistic about its business prospects. In the short run, unfavorable factors, such as concerns over Eurozone debts issues and slow economy recovery, U.S. likely interest rates hikes, and China's probable economic hard landing, etc., will continue to pose a threat to the global financial market. Hong Kong stock market might continue to be volatile, which may adversely affect IPO fundraising activities. From a medium to long run, IPO fundraising activities are expected to resume gradually as soon as the investors' confidence is rejuvenated on the back of stabilization of external economic environment. Hence, the Group expects that newly listed state-owned enterprises and privately-owned companies in China, together with local and foreign enterprises, will sustain the growth of the Hong Kong IPO market, which will benefit the Group.

Corporate Governance

During the six months ended 30 June 2015, the Company has, in the opinion of the Directors, complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2015.

Appreciation

The Company would like to express its sincere gratitude to its clients and shareholders for their continuous and valuable support. The Company would also like to take this opportunity to thank the Board, the Group's management team and staff for their dedication and hard work.

By order of the Board
iOne Holdings Limited
Li Guangning
Executive Director and Chairman

Hong Kong, 28 August 2015