



HANBO 恒寶

HANBO ENTERPRISES HOLDINGS LIMITED

恒寶企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SEHK Stock Code: HK 1367



INTERIM REPORT 2016

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Corporate Information

Board of Directors

Executive Directors

Mr. CHENG Lap Yin (*Chairman*)
Mr. LIU Chung Tong
(*Deputy Chairman and Managing Director*)
Mr. LIU Ying Yin, James
Mr. KAO Lap Shing (*Financial Controller*)
Mr. YU Yuen Mau, Banny

Independent Non-Executive Directors

Mr. CHUNG Kwok Pan
Mr. LAI Kin Keung
Mr. LAU Chart Chou (*Appointed on 14 July 2016*)
Mr. NG Ming Yuen, John (*Resigned on 15 April 2016*)

Company Secretary

Mr. KAO Lap Shing

Authorised Representatives

Mr. CHENG Lap Yin
Mr. LIU Chung Tong

Audit Committee

Mr. LAU Chart Chou (*Chairman*)
(*Appointed on 14 July 2016*)
Mr. NG Ming Yuen, John (*Resigned on 15 April 2016*)
Mr. CHUNG Kwok Pan
Mr. LAI Kin Keung

Remuneration Committee

Mr. LAI Kin Keung (*Chairman*)
Mr. CHENG Lap Yin
Mr. CHUNG Kwok Pan

Nomination Committee

Mr. CHENG Lap Yin (*Chairman*)
Mr. LIU Ying Yin, James
Mr. CHUNG Kwok Pan
Mr. LAI Kin Keung
Mr. LAU Chart Chou (*Appointed on 14 July 2016*)
Mr. NG Ming Yuen, John (*Resigned on 15 April 2016*)

Compliance Committee

Mr. LIU Chung Tong (*Chairman*)
Mr. KAO Lap Shing
Mr. CHUNG Kwok Pan
Mr. LAI Kin Keung
Mr. LAU Chart Chou (*Appointed on 14 July 2016*)
Mr. NG Ming Yuen, John (*Resigned on 15 April 2016*)

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in Hong Kong

Flat A & B, 9/F., Tontex Industrial Building
2-4 Sheung Hei Street
San Po Kong, Kowloon
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

Principal Bankers

China CITIC Bank International Limited
232 Des Voeux Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
15/F Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

Auditors

Ernst & Young
Certified Public Accountants
Hong Kong
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Legal Advisers

as to Hong Kong law

Pinsent Masons
50/F
Central Plaza
18 Harbour Road
Hong Kong

as to Cayman Islands law

Conyers Dill & Pearman (Cayman) Limited
Cricket Square
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P.O. Box 2681
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Cayman Islands

Website

www.hanbo.com

Stock Code

1367

Management Discussion And Analysis

Business review

Hanbo Enterprises Holdings Limited (the “Company”) and its subsidiaries (the “Group”) provide apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets) and accessories. The apparel supply chain management services include sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services. The Group acts as a one-stop solution provider to its customers by providing them with a wide range of services to meet their needs along the apparel supply chain. The Group derives revenue primarily from the sale of apparel products it procures for its customers.

For the six months ended 30 June 2016 (the “Reporting Period”), the Group’s revenue was approximately HK\$207.6 million, representing a decrease of approximately 11.9% when compared to the six months ended 30 June 2015 (the “Previous Reporting Period”) of approximately HK\$235.7 million. The decrease in the Group’s revenue was mainly attributable to the decrease in Group’s sales to a customer because of change in its sourcing strategy. Gross margin also decreased from approximately 16.4% in the Previous Reporting Period to approximately 14.8% in the Reporting Period due to relatively higher proportion of sales to low gross margin customers. Hence, gross profit decreased moderately from approximately HK\$38.5 million in the Previous Reporting Period to approximately HK\$30.8 million in the Reporting Period, representing a decrease of approximately 20.2%. Nevertheless, net profit attributable to the owners of the Company for the Reporting Period increased to approximately HK\$4.1 million as compared to approximately HK\$3.6 million for the Previous Reporting Period. The improved net profit was mainly because of decrease in administrative expenses due to group restructuring in March and April 2016 to streamline our operations.

Financial review

Revenue

The Group’s revenue for the Reporting Period was approximately HK\$207.6 million, which decreased by approximately HK\$28.1 million when compared to the Previous Reporting Period. The decrease in the Group’s revenue was mainly attributable to the decrease in sales to a customer because of change in its sourcing strategy in the Reporting Period.

Cost of Sales

Cost of sales included raw materials, subcontracting fees, and other costs. Raw materials were fabrics and ancillary raw materials, including buttons, zippers and threads that the Group purchased and supplied to the third-party manufacturers for their production. Subcontracting fees represented fees paid to the third-party manufacturers for production of apparel products. Other costs included miscellaneous costs such as freight charges, inspection charges, declaration fees, depreciation and insurance.

Subcontracting fees continued to be the major component of the Group’s total cost of sales and accounted for approximately 98.3% of the total cost of sales for the Reporting Period (the Previous Reporting Period: approximately 97.1%).

Gross Profit and Margin

The Group’s gross profit for the Reporting Period was approximately HK\$30.8 million, representing a decrease of approximately 20.2% from approximately HK\$38.5 million for the Previous Reporting Period.

The Group’s overall gross margin decreased to approximately 14.8% for the Reporting Period, from approximately 16.4% for the Previous Reporting Period, which was mainly attributable to relatively higher proportion of sales to low gross margin customer in the Reporting Period.

Other Income and Gains, net

Other income and gains, net for the Reporting Period was approximately HK\$537,000, representing an increase of approximately 33.9% from the Previous Reporting Period. The increase was mainly attributable to the increase in the sample income.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 33.4% to approximately HK\$409,000 for the Reporting Period as compared to approximately HK\$614,000 in the Previous Reporting Period. The decrease was mainly attributable to the decrease in entertainment, overseas travelling and sample expenses.

Administrative Expenses

Administrative expenses mainly represented employee benefit expenses for the Group's management, finance and administrative personnel, entertainment expenses, rental expenses for the Group's office premises and travelling expenses. Administrative expenses decreased by approximately 17.4% to approximately HK\$25.8 million during the Reporting Period mainly due to the decrease in staff costs and the legal and professional fees.

Other Expenses, net

Other expenses, net mainly represented the rework costs and claims paid to customer and the reversal of provision for doubtful debts. Other expenses, net decreased during the Reporting Period mainly because of faulty subcontractor payment with fake emails in the Previous Reporting Period, which did not recur during the Reporting Period, and the reversal of provision for doubtful debts during the Reporting Period.

Finance Cost

Finance costs mainly represented interest expenses on bank loans for the purchase of raw materials. It decreased by approximately 88.8% to approximately HK\$26,000 for the Reporting Period as compared to approximately HK\$232,000 in the Previous Reporting Period primarily due to the decrease in interest on trust receipt loans as the Group retired the loans earlier.

Liquidity and Financial Resources

During the Reporting Period, the Group's working capital was financed by both internal resources and bank borrowings. As at 30 June 2016, cash and cash equivalents amounted to approximately HK\$75.5 million, which decreased by approximately 7.6% as compared to approximately HK\$81.7 million as at 31 December 2015. The current ratio of the Group was approximately 4.1 (31 December 2015: 3.6).

Gearing Ratio

As at 30 June 2016, the Group's total borrowings amounted to approximately HK\$275,000 (31 December 2015: HK\$706,000) was finance lease liabilities (31 December 2015: HK\$318,000) and there was no outstanding bank borrowing as at that date (31 December 2015: HK\$388,000). The bank borrowing of the Group in the prior period was incurred for trade finance purposes. Thus, the gearing ratio (being the finance leases liabilities divided by the equity attributable to the owners of the Company) of the Group as at 30 June 2016 was approximately 0.2% (31 December 2015: 0.2%).

Treasury Policies

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the Reporting Period. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Foreign Exchange Exposure

The Group's foreign currency transactions are mainly denominated in Renminbi ("RMB") and United States dollars ("US\$"). The Group has currency exposure as certain subcontracting fees incurred in the Mainland China and the operating expenses of China office were denominated in RMB. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the Reporting Period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital Expenditures

During the Reporting Period, the Group's capital expenditure consisted of additions to property, plant and equipment amounting to approximately HK\$65,000 (Previous Reporting Period: approximately HK\$200,000).

Capital Commitments

As at 30 June 2016, the Group did not have any significant capital commitments (31 December 2015: Nil).

Employees and Remuneration Policies

As at 30 June 2016, the Group had a total of 132 employees, including the Directors. Total staff costs (including Directors' remuneration) were approximately HK\$16.3 million for the Reporting Period, as compared to approximately HK\$18.9 million for the Previous Reporting Period.

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other major staff benefits included contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong and the provision of social insurances for employees employed by the Group pursuant to the applicable PRC rules and regulations.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 20 June 2014 where options to subscribe for shares may be granted to the Directors and employees of the Group.

Significant Investment Held

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company during the Reporting Period.

Material Acquisition and Disposal of Subsidiaries

During the Reporting Period, there was no other material acquisition and disposal of subsidiaries by the Company.

Risk Management

The Group adopts the following risk management policies and monitoring system to mitigate the risks associated with interest rate, foreign currency, credit and liquidity in its major operation.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates incurred for trade finance. The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustment if necessary.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as certain subcontracting fees and operating expenses incurred in Mainland China were denominated in RMB. The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US\$ may have impact on the operating results of the Group. The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. The management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Credit risk

The trade and bills receivable and other receivables balances included in the statement of financial position of the Group represent the Group's maximum exposure to credit risk in relation to the Group's receivables. The Group performs ongoing credit evaluations of its debtors' financial conditions and requires no collateral from its debtors, where appropriate. The allowance for doubtful debts is based on a review of the expected collectability of all receivables. The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by management.

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

Contingent Liabilities

As disclosed in note 17 to the condensed consolidated interim financial statements, the Board considers that the results of the litigation will have no material adverse impact on the business, operations and financials of the Group.

Charge on the Group's Assets

As at 30 June 2016, the Group's property with a net carrying value of approximately HK\$1.8 million (31 December 2015: approximately HK\$1.8 million) was pledged to banks to secure general banking facilities granted to the Group.

Management Discussion And Analysis

Use of Proceeds from Initial Public Offering

On 11 July 2014, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The initial public offering by way of international placing and Hong Kong public offering was welcomed by investors.

As stated in the section headed “Future Plans and Use of Proceeds” in the Company’s prospectus dated 30 June 2014 (the “Prospectus”), the Group intends to use the proceeds for (i) enhancement of the Group’s design and development capability; (ii) expansion of the Group’s network of third-party manufacturers; (iii) product type expansion; (iv) enhancement of the information technology system and upgrading of the Group’s enterprise resource planning system; and (v) working capital and other general corporate purposes. The Company intends to continue to apply the net proceeds in accordance with the proposed applications set out above.

The highlights of the use of proceeds during the Reporting Period is as follows:

- (i) Approximately HK\$179,000 was incurred in operating Vietnam office. Sales during the Reporting Period through factories managed and coordinated by Vietnam office amounted to HK\$19.1 million. The office was closed and its operation has been consolidated into Cambodia office since May 2016 to improve efficiency.
- (ii) Total consulting fee paid to a marketing consultant to develop the European, South American and Russian markets during the Reporting Period was EUR8,000 (equivalent to approximately HK\$69,000). The appointment was not renewed when it expired on 31 March 2016.
- (iii) Approximately HK\$468,000 was incurred in operating the handbag/accessories team. Sales during the Reporting Period amounted to HK\$1.4 million.
- (iv) Our email servers and enterprise resource planning system have been successfully relocated to the cloud. Total usage fee paid to a service provider during the Reporting Period was approximately HK\$531,000. Besides, the functions of the ERP system are continuously enhanced. New module of mobile quality inspection is being developed to streamline the quality inspection work. Dashboards have been built and extensively used by management to monitor the order status and performance.

Future Prospects

The management of the Group expects the business environment for the apparel supply chain management services business in the second half of the year 2016 to remain challenging. Retailers in our major geographical market are experiencing overstored and reassessing their brick-and-mortar fleets ignited by recent downsizing strategy of other retailers coupled with the launch of its own private label from the biggest e-commerce company in the world. In order to maintain its competitiveness, the Group aims to streamline its operation to establish closer strategic partnership with subcontractors to offer competitive prices, shorten delivery time of the sales orders and provide data analysis to customers. The initial result is encouraging as the net profit attributable to shareholders of the Company in the Reporting Period has increased. Besides, the Group continues to employ information technology such as radio frequency identification tag and electronic data interchange solutions in the enterprise resource planning system to improve efficiency, transparency of order status and production planning.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 June 2016, the interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:

Long positions in our Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate Shareholding Percentage
Mr. Liu Ying Yin, James ⁽¹⁾	Interest of a controlled corporation	156,060,000	32.51%
Mr. Cheng Lap Yin ⁽²⁾	Beneficial owner	165,600,000	34.50%
Mr. Liu Chung Tong ⁽³⁾	Interest of a controlled corporation	18,360,000	3.82%
Mr. Kao Lap Shing	Beneficial owner	9,180,000	1.91%
Mr. Yu Yuen Mau, Banny	Beneficial owner	10,800,000	2.25%

Note:

1. Happy Zone Limited, which is solely and beneficially owned by Mr. Liu Ying Yin, James, is the beneficial owner of 156,060,000 Shares. By virtue of the SFO, Mr. Liu Ying Yin, James is deemed to be interested in all of the Shares held by Happy Zone Limited.
2. Mr. Cheng Lap Yin is the Chairman of the Company.
3. Capital Oasis Holdings Limited, which is solely and beneficially owned by Mr. Liu Chung Tong, is the beneficial owner of 18,360,000 Shares. By virtue of the SFO, Mr. Liu Chung Tong is deemed to be interested in all of the Shares held by Capital Oasis Holdings Limited.

Save as disclosed above, as at the date of this report, none of the Directors or chief executives of the Company or their respective associates had registered an interest or short position in the shares or underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under provision of the SFO) or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

Substantial Shareholders' Interests in Shares and Underlying Shares and Debentures of the Company

As at 30 June 2016, so far as is known to the Directors or chief executives of the Company, the following persons (other than Directors or chief executive of the Company), who had interests or short positions in the Shares, the underlying Shares or debentures of the Company and its associated corporation within the meaning of Part XV of the SFO which were required to be disclosed pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Long positions in the Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate Shareholding Percentage
Happy Zone Limited ⁽¹⁾	Beneficial owner	156,060,000	32.51%

Note:

1. Happy Zone Limited which is solely and beneficially owned by Mr. Liu Ying Yin, James, is the beneficial owner of 156,060,000 Shares. By virtue of the SFO, Mr. Liu Ying Yin, James is deemed to be interested in all of the Shares held by Happy Zone Limited.

Save as disclosed above, as at the date of this report, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") which became effective on 11 July 2014. The purpose of the Share Option Scheme is to motivate certain eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationship with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contribution. Eligible participants of the Share Option Scheme, amongst others, include any executives, any employee (including proposed, full-time or part-time employee), a director or proposed director (including an independent non-executive director), a direct or indirect shareholder of any member of the Group and an associate of any of the aforementioned persons.

The maximum number of the Shares which may be issued under the Share Option Scheme and any other schemes of the Company must not exceed 48,000,000 Shares, representing 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange.

The maximum number of Shares issued and to be issued upon exercise of the options granted to any one eligible participant (including exercised and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued Shares unless approved in advance by the shareholders of the Company in general meeting with such eligible person and his close associates (as defined in the Listing Rules) (if such eligible person is a connected person) abstaining from voting.

Any offer of an option under the Share Option Scheme proposed to be made to a director, chief executive or substantial shareholder of the Company or to any of their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who or whose associate is the grantee of the option). In addition, where any grant of option to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director or to any of their respective associates which will result in the relevant class of securities in issue and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such a person in the 12-month period up to and including the date of such grant in excess of 0.1% of the relevant class of securities in issue or with an aggregate value (based on the closing price of the securities at the date of grant) in excess of HK\$5,000,000, such further grant of options is subject to approval by the shareholders of the Company in general meeting, with such person, his associates and the core connected persons (as defined in the Listing Rules) of the Company abstaining from voting.

The offer of a grant of options under the Share Option Scheme may be accepted within 30 days from the date of the offer and by payment of HK\$1.00 as consideration for the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as to be determined and notified by the Directors to each grantee, but shall end in any event not later than 10 years from the date on which the option is deemed to be granted and accepted in accordance to the Share Option Scheme.

The Share Option Scheme will be valid and effective for a period of ten years from 20 June 2014.

The exercise price is determined by the Directors and shall be at least the highest of: (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheet for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

As at 30 June 2016, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 30 June 2016.

Corporate Governance

The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the shareholders of the Company. The Company has adopted the code provisions (the "Code Provisions") as set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the shareholders of the Company.

Save as disclosed below, the Company has complied with the Code Provisions during the Reporting Period.

Other Information

Following the resignation of Mr. Ng Ming Yuen, John on 15 April 2016, the Company is not in compliance with (i) Rule 3.10(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), which stipulates that the Board shall comprise of at least three independent non-executive directors; (ii) Rule 3.10(2), which stipulates that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; (iii) Rule 3.10A, which stipulates that the number of independent non-executive directors shall represent at least one-third of the board; (iv) Rule 3.21, which stipulates that the audit committee shall comprise of at least three members and shall be chaired by an independent non-executive director; and (v) Code Provision A.5.1 of Corporate Governance Code as set out in Appendix 14 to the Listing Rules, which stipulates that the number of independent non-executive directors shall represent the majority of the nomination committee. After the appointment of Mr. Lau Chart Chou as independent non-executive director on 14 July 2016, the Company fully complies with the requirements of Rules 3.10(1), 3.10(2), 3.10A and 3.21 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code. The Directors will review the Company’s corporate governance policies and compliance with the Code Provisions from time to time.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set forth in Appendix 10 to the Listing Rules as its code for securities transactions by the Directors. The Company has made specific enquires with each of the Directors and all the Directors have confirmed that they complied with the Model Code throughout the Reporting Period.

Audit Committee

The Company established an audit committee (the “Audit Committee”) on 20 June 2014 with written terms of reference which deal clearly with its authority and duties. Amongst the committee’s principal duties is to review and supervise the Company’s reporting process and internal controls. The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the financial information of the Group and the interim results announcement of the Company for the six months ended 30 June 2016.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lau Chart Chou (appointed on 14 July 2016), Mr. Chung Kwok Pan and Mr. Lai Kin Keung. Mr. Lau Chart Chou is the chairman of the Audit Committee.

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

Deed of Non-Competition

The Company has received the written confirmations from Mr. Liu Ying Yin, James, Happy Zone Limited and Mr. Cheng Lap Yin (the “Controlling Shareholders”) in respect of the compliance with the provisions of the deed of non-competition (“Deed of Non-competition”), entered into between the Controlling Shareholders and the Company as set out in the section headed “Relationship with Controlling Shareholders — Deed of Non-competition” of the Prospectus, during the Reporting Period and up to the date of this interim report.

The Independent Non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms during the Reporting Period and up to the date of this interim report.

Change of Directors' and Chief Executive's Information

- (a) Mr. Ng Ming Yuen, John resigned as an independent non-executive director, the chairman of the audit committee, a member of the nomination committee and a member of the compliance committee of the Company on 15 April 2016.
- (b) Mr. Lau Chart Chou ("Mr. Lau") was appointed as an independent non-executive director, the chairman of the audit committee, a member of the nomination committee and a member of the compliance committee of the Company on 14 July 2016.

Interim dividend

The Board does not recommend the distribution of any interim dividend for the six months ended 30 June 2016.

By Order of the Board
Hanbo Enterprises Holdings Limited
Cheng Lap Yin
Chairman

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	5	207,605	235,682
Cost of sales		(176,837)	(197,140)
Gross profit		30,768	38,542
Other income and gains, net	5	537	401
Selling and distribution expenses		(409)	(614)
Administrative expenses		(25,778)	(31,204)
Fair value gain/(loss) on financial investments at fair value through profit or loss		91	(59)
Other expenses, net		(95)	(2,221)
Finance costs	6	(26)	(232)
Profit before tax	7	5,088	4,613
Income tax expense	8	(952)	(1,020)
Profit for the period and attributable to owners of the Company		4,136	3,593
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	HK0.86 cents	HK0.75 cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	<i>Six months ended 30 June</i>	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	4,136	3,593
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserve:		
– Translation of foreign operations	(115)	6
Other comprehensive income/(loss) for the period	(115)	6
Total comprehensive income for the period and attributable to owners of the Company	4,021	3,599

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	5,157	5,948
Other receivable		5,897	5,859
Total non-current assets		11,054	11,807
Current assets			
Inventories		—	161
Trade and bills receivables	11	55,494	32,297
Prepayments, deposits and other receivables		38,267	58,389
Financial investment at fair value through profit or loss		2,989	—
Cash and cash equivalents		75,517	81,689
Tax recoverable		173	173
Total current assets		172,440	172,709
Current liabilities			
Trade and bills payables	12	28,935	31,530
Other payables and accruals		5,356	8,032
Interest-bearing bank and other borrowings		74	462
Due to a related company		32	325
Tax payable		7,938	6,986
Total current liabilities		42,335	47,335
Net current assets		130,105	125,374
Total assets less current liabilities		141,159	137,181
Non-current liabilities			
Other payables and accruals		455	455
Interest-bearing other borrowing		201	244
Deferred tax liabilities		53	53
Total non-current liabilities		709	752
Net assets		140,450	136,429
Equity			
Equity attributable to owners of the Company			
Issued capital	13	4,800	4,800
Reserves		135,650	131,629
Total equity		140,450	136,429

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company							
	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Legal reserve HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2015	4,800	48,873	10,071	(23)	49	8,417	69,914	142,101
Profit for the period	—	—	—	—	—	—	3,593	3,593
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	—	—	—	6	—	—	—	6
Total comprehensive income for the period	—	—	—	6	—	—	3,593	3,599
At 30 June 2015 (unaudited)	4,800	48,873*	10,071*	(17)*	49*	8,417*	73,507*	145,700
At 1 January 2016	4,800	48,873	10,071	(328)	49	8,417	64,547	136,429
Profit for the period	—	—	—	—	—	—	4,136	4,136
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	—	—	—	(115)	—	—	—	(115)
Total comprehensive income for the period	—	—	—	(115)	—	—	4,136	4,021
At 30 June 2016 (unaudited)	4,800	48,873*	10,071*	(443)*	49*	8,417*	68,683*	140,450

* These reserve accounts comprise the reserves of HK\$135,650,000 (30 June 2015: HK\$140,900,000) in the condensed consolidated statement of financial position as at 30 June 2016.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(2,648)	21,303
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(65)	(200)
Advance of loan to a third-party manufacturer	—	(3,100)
Purchases of financial investments at fair value through profit or loss	(2,898)	—
Proceeds from disposal of financial investments at fair value through profit or loss	—	18,738
Decrease/(Increase) in time deposits	1,188	(10,670)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(1,775)	4,768
CASH FLOWS FROM FINANCING ACTIVITIES		
New trust receipt loans	65,298	72,258
Repayment of trust receipt loans	(65,686)	(73,574)
Capital element of finance lease rental payments	(44)	—
Interest paid	(19)	(232)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(451)	(1,548)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,874)	24,523
Cash and cash equivalents at the beginning of the period	80,496	45,364
Effect of foreign exchange rate changes, net	(105)	4
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	75,517	69,891
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	54,147	67,533
Non-pledged time deposits	21,370	31,824
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	75,517	99,357
Less: Non-pledged time deposits with original maturity of more than three months when acquired	—	(29,466)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	75,517	69,891

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

1. Corporate Information

The Company was incorporated in the Cayman Islands on 30 September 2013 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is located at Flat A & B, 9/F., Tontex Industrial Building, 2-4 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong. The Company is an investment holding company and its subsidiaries are primarily engaged in the trading of apparel products and provision of apparel supply chain management services during the six months ended 30 June 2016. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing").

2. Basis of Presentation and Preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 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 are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA for the first time for the current period's unaudited condensed consolidated interim financial statements of the Group.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

4. Operating Segment Information

The Group focuses primarily on the trading of apparel products and provision of apparel supply chain management services. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

During the period, approximately 98.60% (six months ended 30 June 2015: 91.6%) of the Group's revenue from external customers, based on the locations of the products shipped to, were attributed to the United States of America. At the end of the reporting period, the non-current assets of the Group were located in:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Hong Kong	3,202	3,541
Mainland China	676	790
Other countries	7,176	7,476
	11,054	11,807

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the six months ended 30 June 2016 and 2015 is set out below:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Customer A	N/A*	60,436
Customer B	39,664	35,241
Customer C	59,404	40,124
Customer D	52,947	23,904

* Less than 10% of revenue

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

5. Revenue, Other Income and Gains, Net

Revenue represents the aggregate of the net invoiced value of apparel products sold, after allowances for returns and trade discounts.

An analysis of the Group's other income and gains, net is as follows:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Other income		
Bank interest income	53	146
Sale of scrap materials	91	125
Rework and compensation income	44	15
Sundry income	349	75
	<hr/>	<hr/>
	537	361
Gains, net		
Foreign exchange differences, net	—	40
	<hr/>	<hr/>
	537	401

6. Finance Costs

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on bank loans	19	232
Interest on a finance lease	7	—
	<hr/>	<hr/>
	26	232

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

7. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Cost of inventories sold	176,837	197,140
Depreciation	839	692
Minimum lease payments under operating leases	1,363	1,268
Foreign exchange differences, net	136	(40)
Impairment/(reversal of impairment) of trade receivables	(381)	534
Impairment of other receivable	—	939
Reversal of provision for slow-moving inventories	(136)	—
Loss on a non-interest-bearing financial arrangement	—	243

8. Income Tax

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current:		
— Hong Kong	641	470
— Elsewhere	311	391
Deferred	—	159
Total tax charge for the period	952	1,020

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2016 and 2015. The subsidiary of the Company established in Mainland China is subject to corporate income tax at a standard rate of 25% for the six months ended 30 June 2016 and 2015. No provision for Macao complementary tax has been made as the Company's subsidiary established in Macao is exempted from complementary tax pursuant to Macao's relevant tax legislations. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the profit attributable to owners of the Company of HK\$4,136,000 (six months ended 30 June 2015: HK\$3,593,000), and the weighted average number of ordinary shares of 480,000,000 (six months ended 30 June 2015: 480,000,000) in issue during the period.

Diluted earnings per share equals to basic earnings per share as there was no dilutive potential share outstanding for the six months ended 30 June 2016 and 2015.

10. Property, Plant and Equipment

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment at costs of HK\$65,000 (six months ended 30 June 2015: HK\$200,000).

As at 30 June 2016, the Group's property with a net carrying amount of HK\$1,814,000 (31 December 2015: HK\$1,847,000) was pledged to secure general banking facilities granted to the Group.

11. Trade and Bills Receivables

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade receivables	54,583	31,031
Bills receivables	1,292	2,028
	55,875	33,059
Impairment	(381)	(762)
	55,494	32,297

The Group's trading terms with its customers are mainly on credit. The credit period generally ranges from 30 to 75 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivables balances. Trade and bills receivables are non-interest-bearing.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

11. Trade and Bills Receivables (Continued)

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within 1 month	37,490	21,581
1 to 2 months	10,757	6,248
2 to 3 months	6,848	2,329
Over 3 months	399	2,139
	<hr/>	<hr/>
	55,494	32,297

An aged analysis of the trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Neither past due nor impaired	48,132	28,959
Less than 1 month past due	6,963	3,105
1 to 2 months past due	18	79
Over 3 months past due	381	154
	<hr/>	<hr/>
	55,494	32,297

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

12. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within 1 month	23,862	22,784
1 to 2 months	3,921	5,634
2 to 3 months	765	2,572
Over 3 months	387	540
	<hr/> 28,935	<hr/> 31,530

The trade and bills payables are non-interest-bearing and are normally settled on an average term of 30 days.

13. Share Capital

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Authorised:		
1,000,000,000 ordinary shares of HK\$0.01 each	10,000	10,000
Issued and fully paid:		
480,000,000 ordinary shares of HK\$0.01 each	4,800	4,800

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

14. Operating Lease Arrangements

As lessee

The Group leases certain of its office premises and staff quarters under operating lease arrangements. The leases are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	1,888	1,961
In the second to fifth years, inclusive	3,602	4,428
	5,490	6,389

15. Related Party Transactions

(a) During the period, the Group entered into transactions with related parties as follows:

		Six months ended 30 June	
	Notes	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Rental expenses paid to Action Win Industries Limited ("Action Win")	(i)	426	162
Rental expense paid to Liu and Cheng (Cambodia) Limited	(ii)	116	116

Notes:

- (i) The rental expenses were paid to Action Win Industries Limited, which is controlled by Mr. Liu Ying Yin, James, for a lease of an office premises and a warehouse located in Hong Kong and were charged at monthly rentals of HK\$36,000 (2015: HK\$27,000) and HK\$35,000 (2015: Nil), respectively.
- (ii) The rental expense was paid to Liu and Cheng (Cambodia) Limited, which is controlled by Mr. Liu Ying Yin, James and Mr. Cheng Lap Yin, for a lease of an office located in Cambodia and was charged at a monthly rental of US\$2,500 (approximately HK\$19,000) (2015: US\$2,500 (approximately HK\$19,000)).

(b) Commitment with related parties

The Group entered into operating lease arrangements as a lessee with companies controlled by Mr. Liu Ying Yin, James and Mr. Cheng Lap Yin, for lease terms ranging from three to five years. The total amounts of rental expenses for the six months ended 30 June 2016 and 2015 are disclosed in note 15(a)(i) and (ii) to the financial statements.

The total amount of future lease payments of these operating lease arrangements till the end of the lease term is HK\$4,093,000 (31 December 2015: HK\$4,753,000).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

15. Related Party Transactions (Continued)

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016	2015
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Short term employee benefits	2,845	1,698
Post-employment benefits	36	36
Total compensation paid to key management personnel	2,881	1,734

16. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amount and fair value of the Group's financial instrument, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Financial asset				
Financial investment at fair value through profit or loss	2,989	—	2,989	—

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, the current portions of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portions of other receivable and interest-bearing other borrowing have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the interest-bearing other borrowing as at the end of the reporting period was assessed to be insignificant. In the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

The fair value of a listed financial investment is based on quoted market price.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

16. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instrument:

Asset measured at fair value:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Fair value measurement using quoted prices in active markets (Level 1)		
— Financial investment at fair value through profit or loss	2,989	—

The Group did not have any financial liabilities measured at fair values as at 30 June 2016 and 31 December 2015.

During the six months ended 30 June 2016 and the year ended 31 December 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

17. Contingent Liabilities

Hanbo Enterprises Limited, a wholly-owned subsidiary of the Company, was a defendant (the "Defendant") in a breach of contract claim by a fabric supplier (the "Plaintiff"), an independent third party (the "Litigation").

Pursuant to the judgment of the High Court of the Hong Kong Special Administrative Region (the "Court") dated 21 July 2014, the Court gave judgment to the Plaintiff in the sum of US\$477 with interest at the judgment rate from the date of writ 27 April 2012 to the date of payment. The Court also made an order nisi that the Defendant should have the costs of the Litigation.

Pursuant to a notice of appeal dated 18 August 2014, the Plaintiff lodged with the Court of Appeal of the Hong Kong Special Administrative Region its appeal against the aforesaid judgment. The directors of the Company, based on the advice from the Group's legal adviser, believe that the Defendant has a valid defence against the allegation and, accordingly, have not made any provision in the financial statements of the Group in respect of its liabilities, if any, arising therefrom.

In addition, pursuant to the deed of indemnity dated 20 June 2014, Mr. Liu Ying Yin, James, Happy Zone Limited and Mr. Cheng Lap Yin have agreed to indemnify the Group on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by the Group as a result of any litigation, arbitration and/or legal proceedings against any member of the Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of the Group prior to the Listing.

18. Approval of the Interim Financial Statements

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 31 August 2016.