承兴国际控股有限公司

Camsing International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2662)

2016/17

Interim Report

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

This year poses as both a challenge and opportunity to the Group.

For the six months ended 31 December 2016 (the "Period"), the Group's unaudited consolidated revenue amounted to approximately HK$1,552 million (2015: HK$245 million). The increase in revenue for the first half of fiscal year 2016-2017 is attributable to the increase of hard disk drive ("HDD") orders which includes a large amount of procurement income, and the development of the pan-entertainment business. The Group recorded net profit of approximately HK$36.1 million for the Period (2015: net loss of approximately HK$34.2 million). Basic earnings per share for the Period was approximately HK$0.03 (2015: basic loss per share HK$0.04).

The total shipment of HDD controllers increased from approximately 2.6 million to 5.1 million pieces during the Period as compared to the same period last year to one Japanese customer. The Group has been providing both assembly services and procurement services to this Japanese customer for its HDD products. Procurement income is generated when the Group helps the customers to purchase materials to use in production. Shipments for desktop personal computer ('PC") controllers were falling 32% from approximately 2.2 million to 1.5 million pieces, as the global demand of desktop PC decreased.

The Group's pan-entertainment business generated revenue of approximately HK$1,236 million during the Period, which mainly generated from the collaborations with China Mobile Communication Group Terminal Co., Ltd ("China Mobile") and other well-known brands. The Group is proactively developing its intellectual properties ("IP") promotion and management business and sports events organising business.

With strive from our management team to develop and diversify the Group's business, the Group recorded profits and turnaround the consecutive loss from previous years.

Business Review

Electronics Manufacturing Business

During the Period, the Group maintained continuous focus on top-tier clients and products. HDD controllers and PC motherboards remained the major products of the Group, contributing 90% of the total electronic manufacturing business segment revenue. Other products such as router and communication equipment board, adapter mainboard, game console board, controller board of professional quadcopter, mainboard of wearable device and mainboard of scanner are growing consistently.

HDD controllers shipments have been declining since the latest high in 2014 and the peak of 653.6 million units in 2010 (before the flooding in Thailand in 2011). The second half of 2016 sees noteworthy HDD controllers shipment increments, partly making up for declining shipments in the first half of 2016.

MANAGEMENT DISCUSSION & ANALYSIS

Total HDD controllers shipments in Q3 2016 were up 15.2% compared with Q2 2016 (113.5 million units in Q3 2016 versus 98.5 million units in Q2 2016). This is after a 2.1% decline for Q2 2016 from Q1 2016, 12.3% decline for Q1 2016 from Q4 2015 and a 3.6% decline for Q4 2015 from Q3 2015.

The revenue from HDD controllers was increased by 65% to HK$238 million from last year's HK$144 million. The Group is the major provider of printed circuit board (the "PCB") assembly service in China for Toshiba's 2.5-inch and 1.8-inch HDD controllers. The Group trusts that the adoption of SSDs in laptops and desktop computers continues at pace and replaces traditional HDD applications. Nevertheless, it is expected that HDD controllers will still account for the majority of sales in 2017, as HDDs remain the most economical way to store huge data sets. Demands for archival and long-term storage are being driven by the ever increasing volume of data that home users and enterprises are creating and storing. This is leading to growth in external backup drives, NAS systems, enterprise storage and cloud storage in general. This pattern will increase the availability and accessibility of cloud and networked storage and may limit demand for storage capacity in personal devices.

On the other side of the PC market, consumers have high dependency on smartphones and use PCs infrequently, thus stretching PCs life cycles. This side of the market is much bigger than the PC enthusiast segment; thus, steep declines in this infrequent PC user market offset the fast growth of the PC enthusiast market.

During the Period, the Group has been actively consolidating existing customers and focus on high margin, large volume and good market potential customers. Apart from customer consolidation strategy, the Group also actively looked into fast growing and high potential segment. The Group also started providing scanner controller board assembly service to a customer during the Period and recorded revenue of approximately HK$9.2 million. Moreover, the revenue generated from mainboard of adapter, communication device, game console and electronic whiteboards recorded approximately HK$3.5 million, HK$3.3 million, HK$2.4 million and HK$2.3 million respectively for the Period.

The overall equipment utilization rate was still below the optimum level. As of 31 December 2016, the Group had 36 SMT lines and a production capacity of 50.57 billion chips per year in the People's Republic of China ("PRC"). Currently the Vietnam factory has installed 15 SMT lines, with a production capacity of 29.1 billion chips per year. As the aggregate production costs of PC motherboards in PRC keep on increasing, the Group had shifted more production capacities into the Vietnam factory, and would need to relocate more machinery from PRC to meet the end requirements. This trend will help the Group to push up its overall equipment utilization rate in the long run.

MANAGEMENT DISCUSSION & ANALYSIS

Pan-Entertainment Business

As stated in announcement of the Company dated 15 July 2016, the Group commenced its pan-entertainment business. Following by the announcement dated 5 August 2016, the Group completed the acquisition of Camsing Brand Management (Group) Company Limited to further develop its IP business. It operates in the field of IP licensing by entering into the license agreements with brand owners in relation to the production and distribution of licensed products under their renowned brands. As at the date of this report, the Group has obtained licensing through license agreement with third parties to sell IP derivative products under the brands including "Transformers", "Star Wars", "Real Madrid", "Kung Fu Panda", "Super Wings (超級飛俠)" and "Luoxiaohei (羅小黑)".

In order to strengthen the sales network for the distribution of electronic products, the Group has entered into the cooperation with China Mobile whereby the Group supplies telecommunication products to China Mobile. Benefited from the cooperation, the Group has successfully established a trading platform which could provide a new channel for the sales and distribution of electronic products to the consumer market in the PRC.

The Group also takes part in sports and entertainment business. By establishing Guangzhou Bingxun Sports Development Company Limited, the Group continues to organise sports and entertainment events for the marketing and promotion of well-known brands. By entering into the sponsorship agreements, the Group is responsible for organising and operating a series of entertainment events in major cities in the PRC, and the sponsors would provide financial as well as sponsored products for the events. The Group has entered into (i) sponsorship agreement to organise a family running events "Run Cartoon Run" and promote the brand "Mercedes-Benz", a widely recognised global automobile manufacturer; (ii) head of terms agreement and broadcasting agreement to produce a football reality show coached by Manchester City Football Club, a top tier and well-known football club in the English Premier League, and broadcasted on Guangdong TV's channel; and (iii) strategic cooperation agreement to organise a snooker competition in the PRC, with several worldclass players from the PRC and the United Kingdom. The Board considers the above entertainment events will raise the reputation of the Group and potentially create its own IP and bring benefit to the Group's pan-entertainment business.

Prospect

For the electronics manufacturing business, from a macro perspective, the Directors remain cautiously optimistic about the current macroeconomic environment and IT spending patterns. Since the Group's current electronic manufacturing business had been unprofitable for six consecutive years, the Board will consider any investment opportunities, including but not limited to businesses of similar nature and technological know-hows, which will enable the Group to generate profit and shareholders' value in the future. The Board will also review the future profitability of the Group's electronic manufacturing business and may consider disposing any businesses with declining operating results.

MANAGEMENT DISCUSSION & ANALYSIS

The Group expects the overall electronics manufacturing industry will keep up low growth rate together with the global economy development. However, the drastic increasing labor cost and shortage of labor supply in PRC would bring in more serious impact to the overall electronics manufacturing business daily operation. In light of the trend, the Group will continue downsize its electronics manufacturing production facilities in PRC, as well as to improve its production efficiency by developing semi-automatic equipment, which would gives its competitive edge in the long run.

For the pan-entertainment business, the global economy today has made the brand a valuable asset to both the company and the market. Those brands that are well-known to the customers will be strong competitors in the market. In PRC, increasing brand awareness has rendered customers resorting to products with brand when making purchase decisions. As one of the pioneers in brand licensing, the Group takes advantages of this trend and maximize the profits by developing a sound mechanism to obtain brand licenses from established companies.

Along with enjoying entertainment activities, doing sports has also become a trend and lifestyle that is pursued by the new generation in the PRC. Thus entering into entertainment and sports industry is in line with the market urge. The Group believes that the capacity of this industry in PRC has huge potential.

The Board is optimistic about the future prospect and growth potential of the pan-entertainment business and expects that revenue from the pan-entertainment business will become one of the principal sources of income of the Group going forward.

Liquidity and Financial Resources and Capital Structure

The Group had bank balances and cash of approximately HK$42 million as at 31 December 2016. As at 31 December 2016, the Group had net current assets of approximately HK$262 million (30 June 2016: HK$249 million) and a current ratio of 1.5 (30 June 2016: 4.6). The Group's net asset value as at 31 December 2016 was HK$365 million increasing from HK$362 million at 30 June 2016. Accordingly, the Group's gearing ratio of net borrowing over the equity attributable to Shareholders was 103.1% (30 June 2016: nil).

In addition, during the current interim period, the Group obtained a new loan from an independent third party amounting to approximately HK$376,747,000 (year ended 30 June 2016: nil). The loan is guaranteed by Ms. Lo Ching ("Ms. Lo"), an executive director and controlling shareholder of the Company, and a company controlled by Ms. Lo, carries fixed interest rates at 8.5% per annum and is repayable within one year.

Major Acquisition and Disposal of Assets and Merger Issues

Save as the potential disposal of subsidiaries disclosed under "Events After Reporting Period" below, the Group had no major acquisition and disposal of assets and merger issues during the Period.

MANAGEMENT DISCUSSION & ANALYSIS

Staffs

As at 31 December 2016, the Group employed a total of 1,255 staffs, of which 570 were employed in PRC, while 27 were employed in Hong Kong, 658 were employed in Vietnam. Total staffs costs amounted to approximately HK$48 million (six months ended 31 December 2015: approximately HK$58 million). The Group has implemented remuneration package, bonus and share option scheme as part of the remuneration policy designed to motivate individual staff by linking part of the staff's compensation with their respective performance. In addition, fringe benefits such as insurance, medical allowance and pensions were provided to ensure the competitiveness of remuneration packages offered by the Group.

Capital Commitments

The Group did not have any capital commitments as at 31 December 2016.

Events After Reporting Period

(a) Disposal of Time Ally Global Limited ("Time Ally")

On 15 December 2016, a direct wholly-owned subsidiary of the Company (the "Vendor") enter into sale and purchase agreement with a company (the "Purchaser") which is wholly-owned by Mr. Lam Chi Ho, who is a director of certain subsidiaries of the Company and was a former executive Director. Pursuant to the sales and purchase agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of Time Ally and the amount due and owing by Time Ally and its subsidiaries to the Vendor at a consideration of HK$100 million (the "Transaction") which is subject to the approval of the shareholders of the company and the results of waiver application made to the Stock Exchange pursuant to the Listing Rules. On 13 January 2017, the Stock Exchange granted the waiver in relation to the Transaction to the Company.

Details of the Transaction are set out in the circular issued by the Company dated 20 February 2017. As at the date of this report, the Transaction has not yet been completed.

(b) Issuance of bonds

On 6 January 2017, the Company issued 7.129% coupon bonds with a principal amount of HK$10,000,000 due on 24 July 2035 (the "Initial Bonds"). All the interest expenses of approximately HK$8.7 million has been prepaid at the date of issuance. The holder of the Initial Bonds has the right to convert the Initial Bonds into 0.06% bonds (the "Replacement Bonds") at nil consideration and continue to entitle the interest under the Initial Bonds. On 9 January 2017, the holder of Initial Bonds converted the Initial Bonds into the Replacement Bonds. The Replacement Bonds with a principal amount of HK$10,000,000 is due on 24 July 2035. The Replacement Bonds are non-callable until 24 October 2025 and non-puttable until 24 October 2020. Interest on the Replacement Bonds will be payable annually in arrears at the interest rate of 0.06% per annum first payable on 24 October 2018 and last payable on 24 October 2034.

MANAGEMENT DISCUSSION & ANALYSIS

Dividend

The Board does not recommend the payment of an interim dividend for the Period (2015: Nil).

A special dividend of HK$0.198 per ordinary share for the six months ended 31 December 2015, amounting to approximately HK$191,742,000 has been declared and approved by the shareholders of the Company.

OTHER INFORMATION

Directors' and chief executives' interests in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or 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")) (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long Position Ordinary Shares of HK$0.1 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Lo Ching ("Ms. Lo")	Interest of a controlled corporation (Note)	676,864,150	62.84%

Note:

These securities are registered in the name of and beneficially owned by China Base Group Limited ("China Base"), a company incorporated in the British Virgin Islands. The entire issued share capital of China Base is beneficially owned by Ms. Lo. Accordingly, Ms. Lo is deemed to be interested in 676,864,150 shares held by China Base under the SFO.

Save as disclosed above, none of the Directors nor chief executives of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Model Code.

OTHER INFORMATION

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as the Directors are aware, as at 31 December 2016, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the 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 would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions

Ordinary shares of HK$0.1 each of the Company

		Number of issued ordinary shares held				
Name of shareholders	Capacity	Direct interest	Deemed interest	Total interest	Percentage of the issued Share capital of the Company	Note
China Base	Beneficial owner	676,864,150	–	676,864,150	62.84%	a

Note:

(a) The entire issued share capital of China Base is wholly owned by Ms. Lo.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2016.

Corporate Governance Practices

The Company's corporate governance code are based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. The Company is committed to ensure a quality board and transparency and accountability to shareholders. The CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Ms. Lo Ching ("Ms. Lo") serves as the chairman and also acts as chief executive officer of the Company, which constitutes a deviation from the code provision A.2.1.

OTHER INFORMATION

The Board is of the view that vesting both roles in Ms. Lo will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors (the "INEDs") on the Board offering independent advices, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

Save as disclosed above, the Company has met all the applicable code provisions of the CG Code.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 31 December 2016, all Directors have fully complied with the required standard set out in the Model Code.

Directors' Rights To Acquire Securities Or Debenture

At no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

Directors' Interests In Competing Businesses

During the Period, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the Listing Rules) of the Company or their respective close associates (as defined in the Listing Rules) were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under the Listing Rules.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

Purchase, Sale or Redemption of Shares

During the Period, there was no purchase, redemption or disposal of the Group's listed securities by the Company or any of its subsidiaries.

OTHER INFORMATION

Remuneration Committee

The Board established a remuneration committee (the "Remuneration Committee") who meet at least once a year. The existing committee comprises Mr. Zheng Yilei ("Mr. Zheng") as the chairman, together with Mr. Lei Jun ("Mr. Lei") and Mr. Ross Yu Limjoco ("Mr. Ross"). All Remuneration Committee members are INEDs. The principal duties of the Remuneration Committee as set out in its terms of reference include, inter alia, the determination of remuneration of Executive Directors and senior management and review of the remuneration policy of the Group.

Nomination Committee

The Board established a nomination committee (the "Nomination Committee") which meets at least once a year. The existing committee comprises Mr. Lei as the chairman, together with Ms. Lo and Mr. Zheng. All Nomination Committee members, with the exception of Ms. Lo, are INEDs. The duties of the Nomination Committee are to review the structure, size and composition of the Board, to identify individuals suitably qualified to become Board members, to assess the independence of INEDs, to select or make recommendations to the Board on the appointment or re-appointment of directors and succession planning for Directors, in particular the chairmen and chief executive.

Audit Committee

The Company has formed an audit committee (the "Audit Committee") to assist the Board in providing an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems of the Company. The existing committee comprises Mr. Ross, as the chairman, Mr. Lei and Mr. Zheng, all of whom are INEDs. The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with the management and external auditors and review their reports. The Audit Committee has reviewed the unaudited consolidated financial statements and results announcement of the Company for the Period.

Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements have been reviewed by the Audit Committee and were approved and authorised for issue by the board of directors on 24 February 2017.

By Order of the Board
Camsing International Holding Limited
Lo Ching
Chairman and Executive Director

As at the date of this report, the executive Directors are Ms. Lo and Ms. Liu. The INEDs are Mr. Lei Jun, Mr. Ross Yu Limjoco and Mr. Zheng Yilei.

REPORT ON REVIEW OF CONDENSED CONSOLIDATION FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CAMSING INTERNATIONAL HOLDING LIMITED
(FORMERLY KNOWN AS FITTEC INTERNATIONAL GROUP LIMITED)
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statement of Camsing International Holding Limited (formerly known as Fittec International Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 12 to 40, which comprise the condensed consolidated statement of financial position as of 31 December 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
24 February 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2016

	Notes	Six months ended **31.12.2016** **HK$'000** **(unaudited)**	31.12.2015 HK$'000 (unaudited)
Revenue	3	**1,551,995**	244,523
Cost of sales		**(1,505,143)**	(236,771)
Gross profit		**46,852**	7,752
Other income		**2,188**	1,610
Other gains and losses		**24,436**	(737)
Change in fair value of derivative financial instruments	8	**1**	(13,996)
Distribution expenses		**(5,958)**	(4,380)
Administrative expenses		**(25,202)**	(24,460)
Finance costs		**(873)**	–
Profit (loss) before tax		**41,444**	(34,211)
Income tax expense	4	**(5,306)**	–
Profit (loss) for the period	5	**36,138**	(34,211)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss			
Exchange differences arising on translation to presentation currency		**(37,429)**	–
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**4,288**	(9,530)
Cumulative exchange differences reclassified to profit or loss upon deregistration of a subsidiary		**–**	2,901
		4,288	(6,629)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 31 December 2016

	Notes	Six months ended 31.12.2016 HK$'000 (unaudited)	31.12.2015 HK$'000 (unaudited)
Other comprehensive expense for the period		**(33,141)**	(6,629)
Total comprehensive income (expense) for the period		**2,997**	(40,840)
Profit (loss) for the period attributable to:			
Owners of the Company		**36,147**	(34,211)
Non-controlling interests		**(9)**	–
		36,138	(34,211)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**3,006**	(40,840)
Non-controlling interests		**(9)**	–
		2,997	(40,840)
Basic earnings (loss) per share	7	**HK$0.03**	HK$(0.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	**31.12.2016 HK$'000 (unaudited)**	30.6.2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**98,686**	110,681
Prepaid lease payments		**3,051**	3,168
Deposits paid for acquisition of property, plant and equipment		**1,704**	–
		103,441	113,849
Current assets			
Inventories		**40,559**	25,524
Trade and other receivables	10	**657,378**	143,042
Prepaid lease payments		**87**	90
Bank balances and cash		**41,928**	148,487
		739,952	317,143
Current liabilities			
Trade and other payables	11	**96,463**	65,725
Derivative financial instruments	8	**–**	877
Tax liabilities		**4,777**	1,981
Borrowings	12	**376,747**	–
		477,987	68,583
Net current assets		**261,965**	248,560
		365,406	362,409
Capital and reserves			
Share capital	13	**107,712**	107,712
Share premium and reserves		**257,703**	254,697
Equity attributable to owners of the Company		**365,415**	362,409
Non-controlling interests		**(9)**	–
		365,406	362,409

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000 (note i)	**Special reserve** HK$'000 (note ii)	**Exchange reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 July 2015 (audited)	96,839	450,739	11,478	6,400	19,730	(91,558)	493,628	–	493,628
Loss for the period	–	–	–	–	–	(34,211)	(34,211)	–	(34,211)
Exchange differences arising on translation of foreign operations	–	–	–	–	(9,530)	–	(9,530)	–	(9,530)
Cumulative exchange differences reclassified to profit or loss upon deregistration of a subsidiary (note 15)	–	–	–	–	2,901	–	2,901	–	2,901
Total comprehensive expense for the period	–	–	–	–	(6,629)	(34,211)	(40,840)	–	(40,840)
Special dividend declared (note 6)	–	(191,742)	–	–	–	–	(191,742)	–	(191,742)
At 31 December 2015 (unaudited)	96,839	258,997	11,478	6,400	13,101	(125,769)	261,046	–	261,046
At 1 July 2016 (audited)	**107,712**	**366,526**	**11,478**	**6,400**	**13,529**	**(143,236)**	**362,409**	**–**	**362,409**
Profit (loss) for the period	**–**	**–**	**–**	**–**	**–**	**36,147**	**36,147**	**(9)**	**36,138**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**(33,141)**	**–**	**(33,141)**	**–**	**(33,141)**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**(33,141)**	**36,147**	**3,006**	**(9)**	**2,997**
At 31 December 2016 (unaudited)	**107,712**	**366,526**	**11,478**	**6,400**	**(19,612)**	**(107,089)**	**365,415**	**(9)**	**365,406**

Notes:

(i) The contributed surplus represents the difference between the fair value of the underlying assets of a subsidiary acquired and the nominal value of the shares issued in exchange in December 2004.

(ii) The special reserve of Camsing International Holding Limited (formerly Known as Fittec International Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of the subsidiaries acquired pursuant to a group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 2005.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016

	Six months ended	
	31.12.2016	31.12.2015
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(483,680)**	11,543
INVESTING ACTIVITIES:		
Acquisition of subsidiaries (note 14)	**9,146**	–
Proceeds from disposal of property, plant and equipment	**1,997**	2,363
Interest received	**74**	134
Deposits paid for acquisition of property, plant and equipment	**(1,704)**	–
Purchase of property, plant and equipment	**(713)**	(1,243)
NET CASH FROM INVESTING ACTIVITIES	**8,800**	1,254
FINANCING ACTIVITIES:		
New borrowings raised	**376,747**	–
Interest paid	**(7,548)**	–
NET CASH FROM FINANCING ACTIVITIES	**369,199**	–
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(105,681)**	12,797
CASH AND CASH EQUIVALENTS AT 1 JULY	**148,487**	192,737
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(878)**	(1,253)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**41,928**	204,281

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

For the six months ended 31 December 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the current period, the functional currency of the Company was changed from United States dollars ("USD") to Renminbi ("RMB") as the primary economic environment of the Company has been changed to a business environment of The People's Republic of China (the "PRC") upon the commencement of the new business of "sales and distribution of electronics products". The directors of the Company have determined that RMB better reflects the economic substance of the Company and its business activity as an investment holding company primarily holding "sales and distribution of electronics products" business in the PRC in light of the currency of its primary sources of revenue.

For the purpose of more convenience to the readers of the condensed consolidated financial statements, these condensed consolidation financial statements are presented in Hong Kong dollars ("HK$"). The directors of the Company selected HK$ as the presentation currency because the shares of the Company are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and HK$ has been adopted as presentation currency in the Group's financial statements for years.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are in relation to the impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the opinion of directors of the Company, the application of the expected credit loss model of HKFRS 9 in the future, may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows except for the short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 16 "Leases" (Continued)

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$21,993,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company do not expect that the application of other new amendments to HKFRSs will have material impact on the condensed consolidated financial statements

(ii) Application of new accounting policy in respect of business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition- related costs are generally recognised in profit or loss as incurred.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(ii) Application of new accounting policy in respect of business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

3. SEGMENT INFORMATION

The Group is principally engaged in the business of provision of (i) pure assembly services; (ii) procurement and assembly services; (iii) repair and maintenance services; all for printed circuit boards and related products and (iv) sales and distribution of electronic products, a new business which has commenced since August 2016.

In previous periods, the Group reported its primary segment information based on three major operating and reportable segments including (i) pure assembly services; (ii) procurement and assembly services; (iii) repair and maintenance services; all for printed circuit boards and related products.

During the current period, management has changed the presentation of the information reported to the chief operating decision maker ("CODM") (i.e. the executive directors of the Company), due to the commencement of the new business and present a more meaningful representation of its business operations, consistent with the Group's long-term strategy and for the purpose of allocating resources to the segments and assessing the performance of the segments. The information reported to CODM in respect of the Group's business is based on the operating and reportable segment mentioned below.

In compliance with the requirement of HKFRS 8 "Operating Segments", the change of the presentation of the information reported to CODM has led to change in the segment report for all comparable periods. The Group is now organised into the three operating and reportable segments as (i) pure assembly services including the repair and maintenance services; (ii) procurement and assembly services; all for printed circuit boards and related products and (iii) sales and distribution of electronic products.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

3. SEGMENT INFORMATION (Continued)

	Six months ended	
	31.12.2016	31.12.2015
	HK$'000	HK$'000
Segment revenue		
Pure assembly services	**71,575**	93,625
Procurement and assembly services	**244,462**	150,898
Sales and distribution of electronic products	**1,235,958**	–
	1,551,995	244,523
Segment profit		
Pure assembly services	**11,368**	6,308
Procurement and assembly services	**8,161**	1,444
Sales and distribution of electronic products	**27,323**	–
	46,852	7,752
Unallocated corporate expenses	**(31,344)**	(29,577)
Unallocated other income and gains	**26,808**	1,610
Change in fair value of derivative financial instruments	**1**	(13,996)
Finance costs	**(873)**	–
Profit (loss) before tax	**41,444**	(34,211)

The segment revenue are all from external customers and there are no inter-segment sales for both periods.

Segment profit represents the profit from each segment without allocation of other income, other gains and losses, change in fair value of derivative financial instruments, distribution expenses, administrative expenses and finance costs. This is the measure reported to the executive directors for the purposes of resources allocation and performance assessment.

Analysis of segment assets and liabilities has not been presented as it is not regularly reviewed by CODM.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

4. INCOME TAX EXPENSE

	Six months ended	
	31.12.2016	31.12.2015
	HK$'000	HK$'000
PRC Enterprise Income Tax		
Current period	**5,306**	–

Hong Kong

No provision for Hong Kong Profits Tax has been made as the Group incurred tax loss for both periods.

PRC

Under the Enterprise Income Tax Law of the PRC (the "EIT Law"), the PRC income tax rate for the Group's subsidiaries established in the PRC was 25% for both periods.

Vietnam

In accordance with the relevant tax rules and regulations in Vietnam, Mega Step Electronics (Vietnam) Company Limited, the Company's subsidiary incorporated in Vietnam, is entitled to corporate income tax exemption for three years from its first profit making year and a reduction of 50% for seven years thereafter. No provision for Vietnam corporate income tax has been made the six months ended 31 December 2016 as the assessable profits arising are wholly absorbed by tax losses brought forward and for the six months ended 31 December 2015 as it enjoys corporate income tax exemption.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

5. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	31.12.2016	31.12.2015
	HK$'000	HK$'000
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**7,399**	12,785
Release of prepaid lease payments	**44**	45
Net exchange gain (included in other gains and losses)	**(23,085)**	(1,275)
Loss (gain) on disposal of property, plant and equipment (included in other gains and losses)	**183**	(944)
Written-down on inventories (included in cost of sales)	**954**	555
Interest income	**(74)**	(134)
Gain on bargain purchase arising on acquisition of subsidiaries (included in other gains and losses) (note 14)	**(1,535)**	–
Loss on deregistration of a subsidiary (included in other gains and losses) (note 15)	**–**	2,901

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2016 (six months ended 31 December 2015: nil).

A special dividend of HK$0.198 per ordinary share for the six months ended 31 December 2015, amounting to approximately HK$191,742,000 has been declared and approved by the shareholders of the Company.

7. BASIC EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings per share for the six months ended 31 December 2016 is based on the profit for the period attributable to owners of the Company of approximately HK$36,147,000 (six months ended 31 December 2015: loss for the period attributable to owners of the Company of approximately HK$34,211,000) and the number of 1,077,128,000 (six months ended 31 December 2015: 968,394,000) ordinary shares in issue during the six months ended 31 December 2016.

Diluted earnings (loss) per share is not presented for the six months ended 31 December 2016 and 2015 as there is no potential ordinary shares outstanding during both periods or at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

8. CHANGE IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into forward foreign exchange contracts to cover the anticipated foreign currency exposures. The Group is a party to number of forward foreign exchange contracts in the management of its exchange rate exposures. All contracts are settled in net with the counterparties.

For the six months ended 31 December 2016, fair value gain of approximately HK$1,000 (six months ended 31 December 2015: fair value loss of approximately HK$13,996,000) was recognised directly in profit or loss.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2016, the Group acquired property, plant and equipment of approximately HK$713,000 (six months ended 31 December 2015: approximately HK$1,958,000). In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK$2,180,000 (six months ended 31 December 2015: HK$1,419,000) for proceeds of approximately HK$1,997,000 (six months ended 31 December 2015: HK$2,363,000), resulting in a loss on disposal of approximately HK$183,000 (six months ended 31 December 2015: gain on disposal of HK$944,000) during the six months ended 31 December 2016.

10. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers credit periods ranging from 30 to 120 days. The following is an aged analysis of the Group's trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	31.12.2016	30.6.2016
	HK$'000	HK$'000
0 – 30 days	**138,465**	52,187
31 – 60 days	**61,767**	46,184
61 – 90 days	**20,328**	22,937
91 – 120 days	**334**	1,868
Over 121 days	**137**	36
Trade receivables	**221,031**	123,212

The other receivables mainly include prepayment to suppliers amounting to approximately HK$387,671,000 (year ended 30 June 2016: approximately HK$5,870,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

11. TRADE AND OTHER PAYABLES

The credit period for purchase of goods ranging from 30 to 90 days. The aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period are as follows:

	31.12.2016	30.6.2016
	HK$'000	HK$'000
0 – 30 days	**48,853**	40,332
31 – 60 days	**6,394**	1,346
61 – 90 days	**757**	515
91 – 180 days	**1,812**	326
Over 181 days	**333**	30
Trade payables	**58,149**	42,549

The other payables mainly include receipt in advance from customers amounting to approximately HK$15,535,000 (year ended 30 June 2016: nil).

12. BORROWINGS

During the current interim period, the Group obtained a new loan from an independent third party amounting to approximately HK$376,747,000 (year ended 30 June 2016: nil). The loan is guaranteed by Ms. Lo Ching ("Ms. Lo"), an executive director and controlling shareholder of the Company, and a company controlled by Ms. Lo, carries fixed interest rates at 8.5% per annum and is repayable within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

13. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2015, 31 December 2015, 1 July 2016 and 31 December 2016	3,000,000,000	300,000
Issued and fully paid:		
At 1 July 2015 and 31 December 2015	968,394,000	96,839
Issue of shares upon placement	108,734,000	10,873
At 30 June 2016 and 31 December 2016	1,077,128,000	107,712

On 3 June 2016, the Company entered into a placing agreement to place up to 108,734,000 new shares to independent third parties at HK$1.1 per share. On 16 June 2016, 108,734,000 new shares were issued and allotted upon the placement. The net proceeds are to be utilised for general working capital and/or future investment of the Group as and when opportunities arise.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

14. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of 深圳市貿隆興貿易有限公司 ("貿隆興")

On 25 July 2016, an indirect wholly-owned subsidiary of the Company entered into acquisition agreements with two independent third parties of the Group. Pursuant to the acquisition agreements, the Group agreed to acquire and the counterparties agreed to sell respectively 95% and 5% of the equity interest in 貿隆興, a company established in the PRC with limited liability, principally engages in investment holding and its subsidiary, a company established in the PRC with limited liability, principally engages in supply chain management, import and export goods, and wholesale of equipment supplies. The cash consideration of the acquisition is RMB10,000,000 (equivalent to approximately HK$11,635,000). The acquisition was completed on 27 July 2016.

Acquisition-related costs amounting to HK$61,000 that related to the above acquisition have been excluded from the cost of acquisition and have been recognised as an expense in the current period, included in "other gains or losses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Inventories	4,524
Trade and other receivables	14,045
Bank balances and cash	20,992
Trade and other payables	(25,978)
Tax liabilities	(544)
	13,039

Included in trade and other payables, approximately HK$19,455,000 are due to a related party in which Ms. Lo has significant influence.

The fair value of trade and other receivables at the date of acquisition amounted to HK$14,045,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$14,045,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is nil.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

14. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of 深圳市貿隆興貿易有限公司 ("貿隆興") (Continued)

Gain on bargain purchase arising on acquisition:

	HK$'000
Consideration transferred	11,635
Less: Net assets acquired	(13,039)
Gain on bargain purchase arising on acquisition	(1,404)

None of the gain on bargain purchase arising on the acquisition is expected to be taxable for tax purposes.

Net cash inflow arising on acquisition:

	HK$'000
Cash consideration	11,635
Less: Bank balances and cash	(20,992)
	(9,357)

Included in the profit for the interim period is HK$16,993,000 attributable to 貿隆興. Revenue for the interim period includes HK$1,227,919,000 attributable to 貿隆興.

Had the acquisition of 貿隆興 been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2016 would have been HK$1,567,461,000, and the amount of the profit for the interim period would have been HK$36,529,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

14. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of Camsing Brand Management (Group) Company Limited

On 1 July 2016, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with Guangzhou Camsing Limited Company 廣州承興營銷管理有限公司 ("Guangzhou Camsing"), a company under the control of Ms. Lo. Pursuant to the acquisition agreement, the Group agreed to acquire and Guangzhou Camsing agreed to sell the entire equity interest in Camsing Brand Management (Group) Company Limited 香港承興品牌管理有限公司 ("Camsing Brand"), a company incorporated in Hong Kong with limited liability, and principally engages in the intellectual properties and brand licensing and management business. The cash consideration of the acquisition is approximately HK$1,785,000. The acquisition was completed on 25 July 2016.

There was no acquisition-related costs that related to the above acquisition.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	14
Trade and other receivables	3,713
Bank balances and cash	1,042
Trade and other payables	(2,853)
	1,916

Included in trade and other receivables, approximately HK$1,735,000 are due from a related party in which Ms. Lo has significant influence.

The fair value of trade and other receivables at the date of acquisition amounted to HK$3,713,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$3,713,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is nil.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

14. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of Camsing Brand Management (Group) Company Limited (Continued)

Gain on bargain purchase arising on acquisition:

	HK$'000
Consideration transferred	1,785
Less: Net assets acquired	(1,916)
Gain on bargain purchase arising on acquisition	(131)

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration	1,785
Less: Bank balances and cash	(1,042)
	743

Included in the profit for the interim period is HK$419,000 attributable to Camsing Brand. Revenue for the interim period includes HK$3,287,000 attributable to Camsing Brand.

Had the acquisition of Camsing Brand been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2016 would have been HK$1,533,197,000, and the amount of the profit for the interim period would have been HK$36,102,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Camsing Brand been acquired at the beginning of the interim period, the directors calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

14. ACQUISITION OF SUBSIDIARIES (Continued)

(c) Acquisition of 奇摩品牌顧問(北京)有限公司 ("奇摩")

On 30 August 2016, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with Ms. Liu Hui ("Ms. Liu"), a director of the Company. Pursuant to the acquisition agreement, the Group agreed to acquire and Ms. Liu agreed to sell 70% of the equity interest in 奇摩, a company incorporated in PRC with limited liability, and principally engages in consulting on economic trade and corporate management. There is no consideration for the acquisition. The acquisition was completed on 30 August 2016.

There was no acquisition-related costs that related to the above acquisition.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	11
Trade and other receivables	691
Bank balances and cash	532
Trade and other payables	(1,192)
Tax liabilities	(42)
	–

Included in trade and other payables, approximately HK$1,088,000 are due to a related party in which Ms. Lo has significant influence.

The fair value of trade and other receivables at the date of acquisition amounted to HK$691,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$691,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is nil.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

14. ACQUISITION OF SUBSIDIARIES (Continued)

(c) Acquisition of 奇摩品牌顧問(北京)有限公司 ("奇摩") (Continued)

Net cash inflow arising on acquisition:

	HK$'000
Cash consideration	–
Less: Bank balances and cash	(532)
	(532)

Included in the profit for the interim period is HK$30,000 loss attributable to 奇摩. Revenue for the interim period includes HK$1,684,000 attributable to 奇摩.

Had the acquisition of 奇摩 been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2016 would have been HK$1,552,746,000, and the amount of the profit for the interim period would have been HK$36,305,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had 奇摩 been acquired at the beginning of the interim period, the directors calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

15. DEREGISTRATION OF A SUBSIDIARY OF THE COMPANY

During the six months ended 31 December 2015, a wholly-owned subsidiary of the Company, Fittec Electronics (Thailand) Co., Ltd. ("Fittec Thailand") was deregistered on 27 November 2015 and did not have significant contribution to the results and cash flows of the Group during the period prior to the deregistration.

The loss of Fittec Thailand at the date of deregistration is as follows:

	HK$'000
Exchange reserve released	(2,901)
Loss on deregistration of a subsidiary	(2,901)

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instrument are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instrument are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

	Fair value as		Fair value	Valuation techniques
	31.12.2016	30.6.2016	**hierarchy**	**and key inputs**
	HK$'000	HK$'000		
Financial Liabilities				
Foreign currency forward contracts (note 8)	–	877	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised in these condensed consolidated financial statements approximate their fair values.

17. RELATED PARTY DISCLOSURES

(a) Related party transactions

	Six months ended	
	31.12.2016	31.12.2015
	HK$'000	HK$'000
License income	**316**	–
License fee	**90**	–

The above transactions are with a related company in which Ms. Lo has beneficial interest.

During the six months ended 31 December 2016, the Group acquired Camsing Brand from a related company, Guangzhou Camsing and 奇摩 from Ms. Liu. Details of the acquisition are set out in notes 14(b) and 14(c).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

17. RELATED PARTY DISCLOSURES (Continued)

(b) Related party balances

	31.12.2016	30.6.2016
	HK$'000	HK$'000
Included in:		
Trade and other receivables (Note)	**1,559**	–

Note: The amounts of approximately HK$221,000 are trade in nature and approximately HK$1,338,000 are non-trade in nature. Both amounts are due from a related company in which Ms. Lo has beneficial interest and are unsecured, interest-free and repayable on demand.

(c) Guarantee

At the end of the reporting period, Ms. Lo and a related party company in which Ms. Lo has beneficial interest had given a guarantee in respect of borrowings drawn by the Group. Details of which are set out in note 12.

(d) Compensation of key management personnel

The compensation of the Group's key management personnel for the six months ended 31 December 2016 was approximately HK$180,000 (Six months ended 31 December 2015: approximately HK$3,787,000).

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

a) Disposal of Time Ally Global Limited ("Time Ally")

On 15 December 2016, a direct wholly-owned subsidiary of the Company entered into sale and purchase agreement with a company (the "Purchaser") which is wholly-owned by Mr. Lam Chi Ho, who is a director of certain subsidiaries of the Company and was a former executive director of the Company. The Group has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of Time Ally and the amount due and owing by Time Ally and its subsidiaries to the vendor at a consideration of HK$100,000,000 (the "Transaction") which is subject to shareholders' approval and the results of application of a waiver made to the Stock Exchange according to the Listing Rules. On 13 January 2017, the Stock Exchange granted the waiver in relation to the Transaction to the Company. Detail of the Transaction are set out in the circular issued by the Company dated 20 February 2017. As at the date of these condensed consolidated financial statements, the Transaction has not yet been completed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the six months ended 31 December 2016

18. EVENTS AFTER THE END OF THE REPORTING PERIOD (Continued)

b) Issuance of bonds

On 6 January 2017, the Company issued 7.129% coupon bonds with a principal amount of HK$10,000,000 due on 24 July 2035 (the "Initial Bonds"). All the interest expenses approximately to HK$8,676,000 has been prepaid at the date of issuance. The holder of Initial Bonds has the right to convert the Initial Bonds into 0.06 per cent bonds (the "Replacement Bonds") mentioned in below at nil consideration and continue to entitle the interest expense under Initial Bonds. On 9 January 2017, the holder of the Initial Bonds converted the Initial Bonds into the Replacement Bonds. The Replacement Bonds with a principal amount of HK$10,000,000 is due on 24 July 2035. The Replacement Bonds are non-callable until 24 October 2025 and non-puttable until 24 October 2020. Interest on the Replacement Bonds will be payable annually in arrears at the interest rate of 0.06 per cent per annum first payable on 24 October 2018 and last payable on 24 October 2034.