



HANBO ENTERPRISES HOLDINGS LIMITED

恒寶企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1367

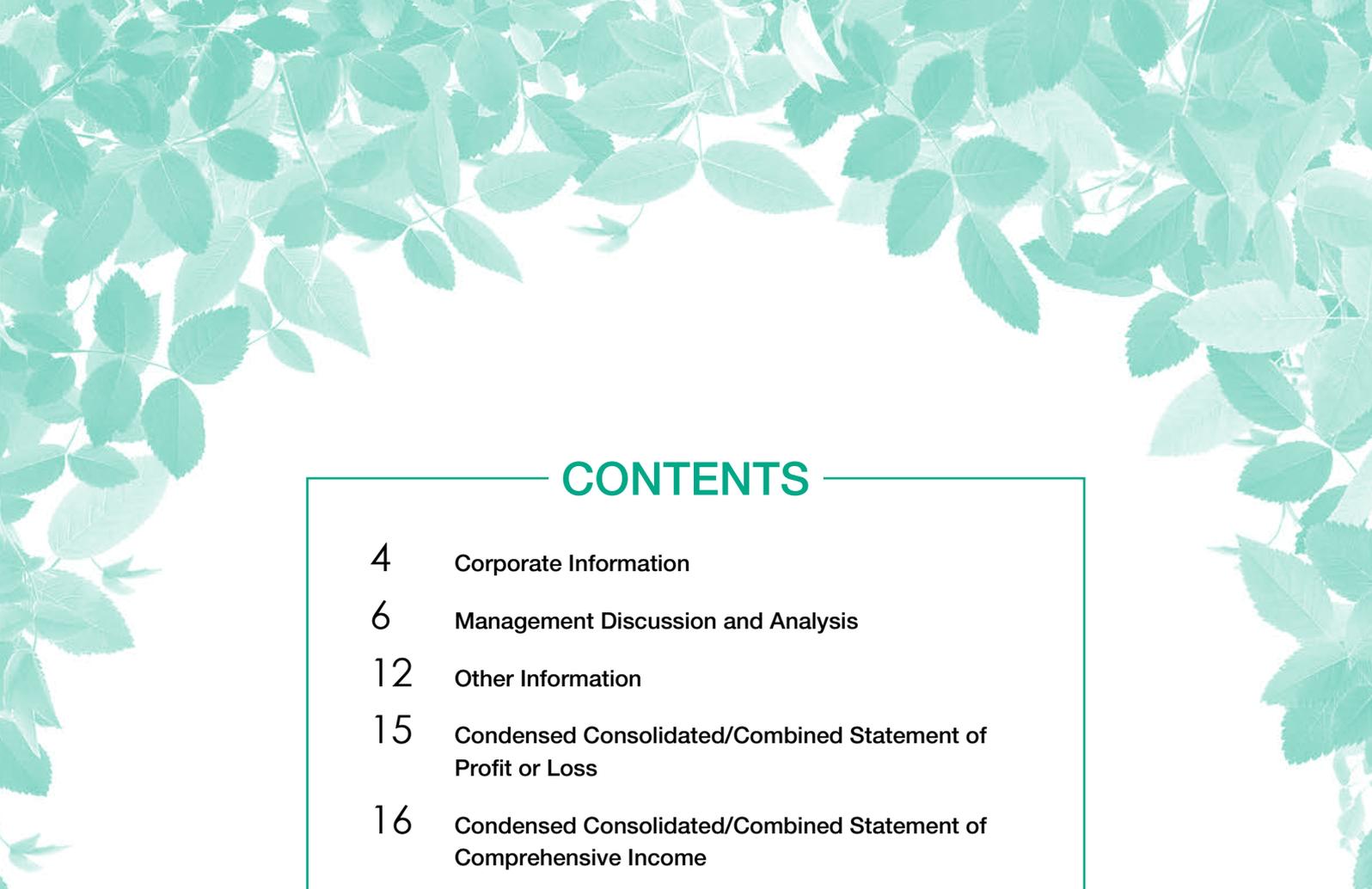
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INTERIM
REPORT 2014

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About HANBO

We are an apparel supply chain manager and were established in 1991. We act as a one-stop solution provider by providing a wide range of services to our customers to meet their needs along the apparel supply chain. We focus on woven wear, such as shirts, pants, jeans and jackets. Our 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.

Vision

Our stakeholders recognise us in creative solutions reducing vulnerabilities in every step of the apparel supply chain process.

Mission

We are an apparel supply chain manager who mitigates and rebalances risks for the apparel industry.

Value

Talents: People are our assets

Integrity: Utmost honesty and trustworthiness

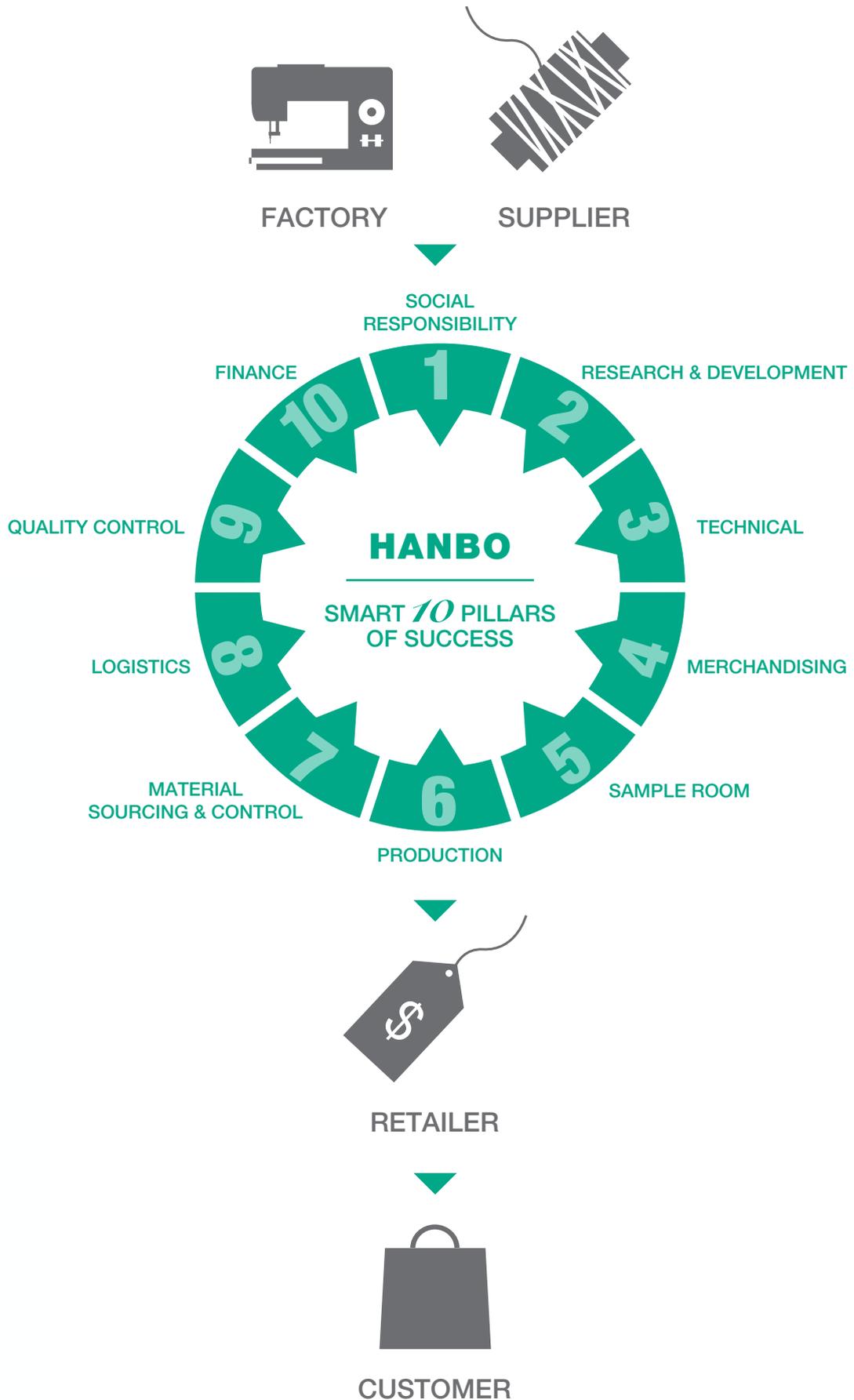
Passion: Burning desire to be the best in business

Performance: Exceed customer's expectations

Innovation: Every problem has many unique solutions

INTEGRATE EXPORTER, AGENT, IMPORTER





CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent Non-Executive Directors

Mr. CHUNG Kwok Pan
Mr. LAI Kin Keung
Mr. NG Ming Yuen, John

Company Secretary

Mr. KAO Lap Shing

Authorised Representatives

Mr. CHENG Lap Yin
Mr. LIU Chung Tong

Audit Committee

Mr. NG Ming Yuen, John (*Chairman*)
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. NG Ming Yuen, John

Compliance Committee

Mr. LIU Chung Tong (*Chairman*)
Mr. KAO Lap Shing
Mr. CHUNG Kwok Pan
Mr. LAI Kin Keung
Mr. NG Ming Yuen, John

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
18/F Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
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
4-4A Des Voeux Road Central
Hong Kong

Auditors

Ernst & Young

Legal Advisers

as to Hong Kong law

Pinsent Masons

as to Cayman Islands law

Conyers Dill & Pearman (Cayman) Limited

Compliance Adviser

Quam Capital Limited

18/F-19/F, China Building

29 Queen's Road Central

Hong Kong

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). 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 2014 (the “Reporting Period”), the Group’s revenue was approximately HK\$204.7 million, representing a decrease of approximately 38.7% when compared to the six months ended 30 June 2013 (the “Previous Reporting Period”) of approximately HK\$333.9 million. The decrease in the Group’s revenue was mainly attributable to (i) change of business strategies of two major customers, of which (a) one has changed from selling of mid-end products to price competitive products which the unit prices were lower since the fourth quarter of 2013; and (b) one has changed from selling basic products to fashion items which the quantity demanded were lower since the fourth quarter of 2013; and (ii) overall decline in national spending due to the snow storm and cold weather in the United States of America in early 2014.

Accordingly, gross profit decreased from approximately HK\$51.8 million in the Previous Reporting Period to approximately HK\$36.9 million in the Reporting Period, representing a decrease of approximately 28.9%.

Net loss attributable to the owners of the Company for the Reporting Period was approximately HK\$1.9 million as compared to a profit of approximately HK\$26.1 million for the Previous Reporting Period. In addition to the decrease in gross profit of approximately HK\$15.0 million, non-recurring listing expenses of approximately HK\$9.6 million was incurred in the Reporting Period while no listing expenses were incurred in the Previous Reporting Period that accounted for the remaining decrease.

In order to provide strong backup to the Group’s apparel supply chain business, the management continues to look for production base in other lower cost countries such as Vietnam and Indonesia for competitiveness and country risk diversification.

Financial Review

Revenue

The Group's revenue for the Reporting Period was approximately HK\$204.7 million, which decreased by approximately HK\$129.1 million when compared to the Previous Reporting Period. The decrease in the Group's revenue was mainly attributable to (i) change of business strategies of two major customers, of which (a) one has changed from selling of mid-end products to price competitive products which the unit prices were lower since the fourth quarter of 2013; and (b) one has changed from selling basic products to fashion items which the quantity demanded were lower since the fourth quarter of 2013; and (ii) the overall decline in national spending due to the snow storm and cold weather in the United States of America in early 2014.

Cost of Sales

Cost of sales includes 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 include miscellaneous costs such as freight charges, inspection charges, declaration fees, depreciation and insurance.

Subcontracting fees continues to be the major component of the Group's total cost of sales and accounted for approximately 97.0% of the total cost of sales for the Reporting Period (the Previous Reporting Period: approximately 95.5%).

Gross Profit and Margin

The Group's gross profit for the Reporting Period was approximately HK\$36.9 million, representing a decrease of approximately 28.9% from approximately HK\$51.8 million for the Previous Reporting Period.

The Group's overall gross profit margin was approximately 18.0% for the Reporting Period, representing an improvement of approximately 16.1% from approximately 15.5% for the Previous Reporting Period, which is mainly attributable to (i) slight increase in the average selling price of the products by approximately 1% due to the sales mix of the products by the Group's major customers; and (ii) change in buying strategies to items with higher gross profit margin as communicated by the Group's major customers to the Group.

Other Income and Gains, net

Other income and gains, net for the Reporting Period was approximately HK\$1.0 million, representing a decrease of approximately 61.2% from the Previous Reporting Period. The decrease was mainly because the Previous Reporting Period included approximately HK\$0.8 million realised gain on disposal of listed shares investment.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 31.3% to approximately HK\$0.7 million for the Reporting Period as compared to approximately HK\$1.0 million in the Previous Reporting Period which was consistent with the decrease in sales.

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 increased by approximately 13.7% to approximately HK\$27.6 million during the Reporting Period mainly due to the increase in staff costs.

Other Expenses, net

Other expenses, net comprised mainly listing expenses. Other expenses, net increased during the Reporting Period because of listing expenses incurred amounting to approximately HK\$9.6 million.

Finance Cost

Finance costs mainly represented interest expenses on trust receipt loans for the purchase of raw materials. It decreased by approximately 66.5% to approximately HK\$83,000 for the Reporting Period as compared to approximately HK\$248,000 in the Previous Reporting Period primarily due to the decrease in purchases of materials which was consistent with the decrease in sales during the Reporting Period.

Trade and Bills Receivables

Trade and bills receivables balance decreased from approximately HK\$66.8 million as at 31 December 2013 to approximately HK\$45.6 million as at 30 June 2014 which was consistent with the decline in sales. The Group's trade receivable turnover days for the Reporting Period was 49 days (31 December 2013: 41 days) which is in general within the credit period of 30 to 75 days granted by the Group to the customers.

Prepayment, Deposits and Other Receivables

Prepayment, deposits and other receivables balance decreased from approximately HK\$52.8 million as at 31 December 2013 to approximately HK\$31.6 million as at 30 June 2014 which was consistent with the decline in sales.

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 2014, cash and cash equivalents amounted to approximately HK\$53.1 million, which increased by approximately 25.3% as compared to approximately HK\$42.4 million as at 31 December 2013. The current ratio of the Group was approximately 3.9 (31 December 2013: 2.6).

Gearing Ratio

The Group did not have debt incurred not in the ordinary course of business. The bank borrowings of the Group as at 30 June 2014 and 31 December 2013 were incurred for trade finance purposes. Thus, gearing ratio was nil to the Group.

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 (the "Board") of directors of the Company (the "Directors") 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 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\$1.2 million.

Capital Commitments

As at 30 June 2014, the Group did not have any significant capital commitments (31 December 2013: HK\$1.7 million).

Employees and Remuneration Policies

As at 30 June 2014, the Group had a total of 252 employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately HK\$17.2 million for the Reporting Period, as compared to approximately HK\$14.2 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 include contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong and the provision of social insurances for employees who are 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. Details of the share option scheme of the Company are disclosed in the section headed "Share Option Scheme" below.

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

Contingent Liabilities

As disclosed in note 20 to the condensed consolidated/combined interim financial statements and the announcement of the Company dated 22 July 2014, the Board considers that the results of the litigation disclosed in note 20 to the condensed consolidated/combined interim financial statements 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 2014, the Group's property with a net carrying value of approximately HK\$1.9 million (31 December 2013: approximately HK\$2.0 million) was pledged to banks to secure general banking facilities granted to the Group.

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 relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the 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 contributions. Eligible persons 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 shares of the Company (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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange (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 the independent non-executive Director who or whose associates 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 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 the 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\$1.0 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.

Since the Share Option Scheme has become effective on 11 July 2014, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the Reporting Period under review and there were no outstanding share options under the Share Option Scheme as at 30 June 2014.

Use of Proceeds from Initial Public Offering

On 11 July 2014 (the "Listing Date"), the Company was successfully listed on the Main Board of 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 prospectus of the Company 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 net proceeds are not yet applied to the above purposes as at the date of this report.

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 2014 remains challenging. In order to maintain its competitiveness, the Group will continue to enhance product development and creativity to meet fashion trends and shorten delivery time of the sales orders to customers. The Group has also started its supply chain management business with a customer in Mainland China for further growth opportunity. In addition, the Group is currently negotiating with third-party manufacturers in Southeast Asian countries such as Vietnam and Indonesia to enhance its cost competitiveness.

The Group is actively looking for solutions to provide better services to its customers. The enterprise resource planning system of the Group will be enhanced to improve transparency of order status and production planning. Despite the current difficulties of the market, the management is prudently optimistic about the future business growth in 2015.

OTHER INFORMATION

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

As the Company was listed on the Stock Exchange on 11 July 2014, no disclosure of interests or short positions of any directors and/or chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as at 30 June 2013 is required to be made to the Company or the Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO.

Upon the Company's listing on 11 July 2014, without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which require notification 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 is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate shareholding percentage
Mr. Liu Ying Yin, James ⁽¹⁾	Interest of controlled corporation	183,600,000	38.25%
Mr. Cheng Lap Yin ⁽²⁾	Beneficial owner	176,400,000	36.75%

Note:

- Happy Zone Limited, which is solely and beneficially owned by Mr. Liu Ying Yin, James, is the beneficial owner of 183,600,000 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.
- Mr. Cheng Lap Yin is the chairman of the Company.

Save as disclosed above, as at the date of this report, none of the Directors or the chief executive of the Company had registered an interest or short position 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) which require notification 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 is taken or deemed to have under such provisions of the SFO) or which will be 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.

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

As the Company was listed on the Stock Exchange on 11 July 2014, no disclosure of interests or short positions in any Shares or underlying Shares of the substantial shareholders of the Company as at 30 June 2014 is required to be made to the Company or the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Upon the Company's listing on 11 July 2014, so far as the Directors are aware, without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme, 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 corporations within the meaning of Part XV of the SFO which are required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be 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	183,600,000	38.25%
Mr. Liu Ying Yin, James ⁽¹⁾	Interest of controlled corporation	183,600,000	38.25%
Mr. Cheng Lap Yin	Beneficial owner	176,400,000	36.75%

Note:

- Happy Zone Limited, which is solely and beneficially owned by Mr. Liu Ying Yin, James, is the beneficial owner of 183,600,000 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 will be required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

Corporate Governance

As the Shares have not been listed on the Stock Exchange as at 30 June 2014, the Code on Corporate Governance (the "CG Code") as set out in Appendix 14 to the Listing Rules was not applicable to the Company for the Reporting Period. The Company has adopted the CG Code as guidelines for corporate governance to the Board on 20 June 2014. The Company confirms it has met the required standards as set out in the CG Code since the Listing Date and up to the date of this report.

Model Code of Securities Transactions by Directors

As the Shares have not been listed on the Stock Exchange as at 30 June 2014, the Model Code as set out in Appendix 10 of the Listing Rules was not applicable to the Company for the Reporting Period. The Company has adopted the Model Code as rules governing dealings by the Directors in the listed securities of the Company on 20 June 2014. Based on specific enquiry with the Directors, all the Directors have complied with the required standards as set out in the Model Code since the Listing Date and up to the date of this report.

Audit Committee

The Company established an audit committee ("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 financial reporting process and internal controls. The Audit Committee has reviewed, with the management of the Company, the accounting principles and policies adopted by the Group, and discussed the unaudited interim financial information of the Group for the six months ended 30 June 2014. The condensed consolidated/combined interim financial statements of the Group for the six months ended 30 June 2014 has not been audited, but has been reviewed by the Audit Committee.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. NG Ming Yuen, John, Mr. CHUNG Kwok Pan and Mr. LAI Kin Keung. Mr. NG Ming Yuen, John is the chairman of the Audit Committee.

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

In the Reporting Period, the Shares have not been listed on the Stock Exchange, nor were there any other listed securities issued by the Company or any of its subsidiaries. From the Listing Date up to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend

The Board does not recommend the distribution of any interim dividend for the six months ended 30 June 2014.

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

CONDENSED CONSOLIDATED/COMBINED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	5	204,748	333,863
Cost of sales		(167,883)	(282,022)
Gross profit		36,865	51,841
Other income and gains, net	5	1,014	2,614
Selling and distribution expenses		(695)	(1,011)
Administrative expenses		(27,584)	(24,267)
Other expenses, net		(10,469)	(1,790)
Finance cost	6	(83)	(248)
Profit/(loss) before tax	7	(952)	27,139
Income tax expense	8	(934)	(1,043)
Profit/(loss) for the period and attributable to owners of the Company		(1,886)	26,096
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	HK(0.52) cents	HK7.25 cents

CONDENSED CONSOLIDATED/COMBINED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit/(loss) for the period	(1,886)	26,096
Other comprehensive income		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserve:		
— Translation of foreign operations	51	(78)
Other comprehensive income/(loss) for the period	(1,835)	26,018
Total comprehensive income/(loss) for the period and attributable to owners of the Company	(1,835)	26,018

CONDENSED CONSOLIDATED/COMBINED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	6,719	6,193
Other receivables		—	775
Total non-current assets		6,719	6,968
Current assets			
Inventories		—	227
Trade and bills receivables	11	45,642	66,788
Prepayments, deposits and other receivables		31,572	52,005
Due from directors	12	1,476	—
Cash and cash equivalents		53,092	42,384
Total current assets		131,782	161,404
Current liabilities			
Trade and bills payables	13	11,918	30,775
Other payables and accruals		15,246	13,342
Interest-bearing bank borrowings		—	12,875
Tax payable		6,361	6,208
Total current liabilities		33,525	63,200
Net current assets		98,257	98,204
Total assets less current liabilities		104,976	105,172
Non-current liabilities			
Deferred tax liabilities		34	34
Other payables and accruals		552	396
Total non-current liabilities		586	430
Net assets		104,390	104,742
Equity			
Equity attributable to owners of the Company			
Issued capital	14	—	—
Reserves		104,390	104,742
Total equity		104,390	104,742

CONDENSED CONSOLIDATED/COMBINED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Issued capital HK\$'000	Capital reserve HK\$'000	Contributed surplus 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 2013	—	—	—	17	49	1,419	134,507	135,992
Profit for the period	—	—	—	—	—	—	26,096	26,096
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	—	—	—	(78)	—	—	—	(78)
Total comprehensive income/(loss) for the period	—	—	—	(78)	—	—	26,096	26,018
At 30 June 2013 (unaudited)	—	—*	—*	(61)*	49*	1,419*	160,603*	162,010
At 1 January 2014	—	7,512	—	(65)	49	8,417	88,829	104,742
Loss for the period	—	—	—	—	—	—	(1,886)	(1,886)
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	—	—	—	51	—	—	—	51
Total comprehensive income/(loss) for the period	—	—	—	51	—	—	(1,886)	(1,835)
Increase in share capital of a subsidiary	—	—	342	—	—	741	—	1,083
Capital contribution from the Controlling Shareholders	—	1,488	—	—	—	—	—	1,488
Reorganisation	—	—	(12)	—	—	—	—	(12)
Dividend to the Controlling Shareholders	—	—	—	—	—	—	(1,076)	(1,076)
At 30 June 2014 (unaudited)	—	9,000*	330*	(14)*	49*	9,158*	85,867*	104,390

* These reserve accounts comprise the combined reserves of HK\$104,390,000 (30 June 2013: HK\$162,010,000) in the condensed consolidated/combined statement of financial position as at 30 June 2014.

CONDENSED CONSOLIDATED/COMBINED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES	23,323	9,622
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,241)	(2,195)
Proceeds from disposal of equity investments at fair value through profit or loss	—	22,364
Repayment/(advances) of loans from/(to) third-party manufacturers	1,664	(950)
NET CASH FLOWS FROM INVESTING ACTIVITIES	423	19,219
CASH FLOWS FROM FINANCING ACTIVITIES		
New trust receipt loans	86,069	143,008
Repayment of trust receipt loans	(98,944)	(151,284)
Movements in net balances with directors	7	(25,584)
Interest paid	(83)	(248)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(12,951)	(34,108)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,795	(5,267)
Cash and cash equivalents at the beginning of the period	42,384	71,474
Effect of foreign exchange rate changes, net	(87)	63
CASH AND CASH EQUIVALENT AT THE END OF PERIOD	53,092	66,270
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	48,359	55,653
Non-pledged time deposits with original maturity of less than three months when acquired	4,733	10,617
Cash and cash equivalents as stated in the condensed consolidated/combined statement of financial position and condensed consolidated/combined statement of cash flows	53,092	66,270

NOTES TO THE CONDENSED CONSOLIDATED/ COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 the Company's subsidiaries were primarily engaged in trading of apparel products and provision of apparel supply chain management services during the six months ended 30 June 2014. The Shares were listed on the Main Board of the Stock Exchange on 11 July 2014 (the "Listing").

2. Reorganisation and Basis of Presentation

Pursuant to a reorganisation of the Company in connection with the Listing (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 17 June 2014. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

These unaudited condensed consolidated/combined statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended 30 June 2014 and 30 June 2013 have been prepared as if the current group structure had been in existence throughout the six months ended 30 June 2014 and 30 June 2013, respectively, or since the respective dates of establishment of the respective companies now comprising the Group, where this is a shorter period. These unaudited condensed consolidated/combined statement of financial position of the Group as at 30 June 2014 and 31 December 2013 have been prepared as if the current group structure had been in existence at those dates and to present the assets and liabilities of the subsidiaries using the then carrying values. No adjustments are made to reflect fair values, or recognised any new assets or liabilities as a result of Reorganisation.

These unaudited condensed consolidated/combined interim financial statements for the six months ended 30 June 2014 are 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.

These unaudited condensed consolidated/combined 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 financial information for the years ended 31 December 2011, 2012 and 2013 included in the accountants' report set out in Appendix I to the Prospectus.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of these unaudited condensed consolidated/combined interim financial statements are consistent with those followed in the preparation of the Group's annual combined financial information for the year ended 31 December 2013 included in the Prospectus, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also included 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.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> — <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets</i> — <i>Recoverable Amount Disclosures for Non-Financial Assets</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instrument: Recognition and Measurement</i> — <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC) — Int 21	<i>Levies</i>

The adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated/combined interim financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective in these unaudited condensed consolidated/combined interim financial statements.

HKFRS 9	<i>Financial Instruments</i> ⁵
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> ⁵
HKFRS 11 Amendments	Amendments to HKFRS 11 <i>Joint Arrangements</i> — <i>Accounting for Acquisitions of Interests in Joint Operations</i> ³
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ⁴
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 — <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ³
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits</i> — <i>Defined Benefit Plans: Employee Contributions</i> ¹
<i>Annual Improvements 2010–2012 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 ²
<i>Annual Improvements 2011–2013 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 ²

¹ Effective for annual periods beginning on or after 1 July 2014

² Generally effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of the operations and financial position.

NOTES TO THE CONDENSED CONSOLIDATED/COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

4. Operating Segment Information

The Group is principally engaged in 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

The Company is domiciled in the Cayman Islands while approximately 88.7% (six months ended 30 June 2013: 91.5%) 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 during the six months ended 30 June 2014. At the end of the reporting period, the non-current assets of the Group were located in:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Hong Kong	3,959	3,212
Mainland China	229	246
Other countries	2,531	3,510
	6,719	6,968

Information about major customers

For the six months ended 30 June 2014, revenue generated from three of the Group's major customers amounting to HK\$61,204,000, HK\$50,613,000 and HK\$28,933,000, respectively, had individually accounted for over 10% of the Group's total revenue.

For the six months ended 30 June 2013, revenue generated from three of the Group's major customers amounting to HK\$107,810,000, HK\$99,456,000 and HK\$34,299,000, respectively, had individually accounted for over 10% of the Group's total revenue.

5. Revenue, Other Income and Gains, Net

Revenue, which is also the Group's turnover, 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:

	<i>Six months ended 30 June</i>	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Other income		
Bank interest income	70	86
Sale of scrap materials	239	516
Rework and compensation income	617	742
Sundry income	88	391
	1,014	1,735
Gains, net		
Exchange gains, net	—	110
Realised gains on equity investments at fair value through profit or loss	—	769
	—	879
	1,014	2,614

6. Finance Cost

	<i>Six months ended 30 June</i>	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest on bank loans wholly repayable within five years	83	248

NOTES TO THE CONDENSED CONSOLIDATED/COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

7. Profit/(Loss) before Tax

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

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Cost of inventories sold	167,883	282,022
Depreciation	709	611
Minimum lease payments under operating leases in respect of land and buildings	1,024	1,016
Foreign exchange differences, net	225	(110)
Realised gains on equity investments at fair value through profit or loss	—	(769)
Write-off of items of property, plant and equipment*	—	151

* The balance is included in "Other expenses, net" on the face of the condensed consolidated/combined statement of profit or loss.

8. Income Tax

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Group:		
Current:		
— Hong Kong	584	763
— Elsewhere	350	280
Total tax charge for the period	934	1,043

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 2014 and 2013. The subsidiary of the Company established in Mainland China is subject to the corporate income tax at a standard rate of 25% for the six months ended 30 June 2014 and 2013. 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.

9. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic earnings/(loss) per share for the six months ended 30 June 2014 is based on the loss attributable to owners of the Company of HK\$1,886,000 (six months ended 30 June 2013: profit attributable to owners of the Company of HK\$26,096,000), and the weighted average number of ordinary shares of 360,000,000 (six months ended 30 June 2013: 360,000,000) in issue and issuable, comprising 1 Share issued on 30 September 2013, 99 Shares issued on 11 June 2014, and 359,999,900 Shares to be issued pursuant to the capitalisation issue as set out in note 21(a), as if the respective Shares were outstanding throughout the period.

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share as there was no dilutive potential share outstanding for the six months ended 30 June 2014 and 2013.

10. Property, Plant and Equipment

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment at costs of HK\$1,241,000 (six months ended 30 June 2013: HK\$2,195,000).

As at 30 June 2014, the Group's property with a net carrying amount of HK\$1,946,000 (31 December 2013: HK\$1,979,000) was pledged to secure general banking facilities granted to the Group.

11. Trade and Bills Receivables

Group

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade receivables	44,333	58,805
Bills receivable	1,309	7,983
	45,642	66,788

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 designated personnel to oversee credit control 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/COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within 1 month	21,685	45,979
1 to 2 months	11,762	14,846
2 to 3 months	11,656	5,836
Over 3 months	539	127
	45,642	66,788

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

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Neither past due nor impaired	31,567	55,577
Less than 1 month past due	13,537	10,673
1 to 2 months past due	369	479
2 to 3 months past due	169	—
Over 3 months past due	—	59
	45,642	66,788

Receivables that were neither past due nor impaired relate to a large 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.

12. Due from Directors

Particulars of the amounts due from directors are as follows:

	30 June 2014 HK\$'000	Maximum amount outstanding during the period HK\$'000	1 January 2014 HK\$'000
Due from directors			
Mr. Liu Ying Yin, James	753	759	—
Mr. Cheng Lap Yin	723	729	—
	1,476	1,488	—

The amounts due from directors arise from undertaking by the directors to reimburse a portion of listing expenses up to HK\$9 million in connection to the Listing. The amounts due from directors at 30 June 2014 relates to the outstanding amounts to be reimbursed by the directors and are unsecured, interest-free and have no fixed terms of repayment. The reimbursement was regarded as a capital contribution from the directors with corresponding credit to capital reserve.

13. 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:

Group

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within 1 month	10,889	24,647
1 to 2 months	685	4,881
2 to 3 months	16	335
Over 3 months	328	912
	11,918	30,775

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

NOTES TO THE CONDENSED CONSOLIDATED/COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

14. Share Capital

	30 June 2014 (Unaudited) HK\$
Authorised:	
1,000,000,000 ordinary shares of HK\$0.01 each	10,000,000
Issued and fully paid:	
100 ordinary shares of HK\$0.01 each	1

The movements in the Company's authorised and issued share capital during the period from 30 September 2013 (date of incorporation) to 30 June 2014 were as follows:

	Notes	Number of ordinary shares of HK\$0.01	Nominal value of ordinary shares HK\$'000
Authorised:			
At 30 September 2013 (date of incorporation) and at 31 December 2013	(a)	38,000,000	380
Increase in authorised share capital on 20 June 2014	(b)	962,000,000	9,620
At 30 June 2014		1,000,000,000	10,000
Issued and fully paid:			
At 30 September 2013 (date of incorporation) and at 31 December 2013	(c)	1	—
Issue of Shares on 11 June 2014	(d)	99	—
At 30 June 2014		100	—

Notes:

- (a) The authorised share capital of the Company at the date of its incorporation was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each.
- (b) Pursuant to a written resolution of the shareholders of the Company passed on 20 June 2014, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by creation of additional 962,000,000 ordinary shares of HK\$0.01 each, ranking *pari passu* in all respects with the existing shares.

14. Share Capital (Continued)

- (c) On 30 September 2013, 1 Share of HK\$0.01 was allotted and issued as nil paid to the initial subscriber, which was transferred to Happy Zone Limited, a shareholder of the Company (solely and beneficially owned by Mr. Liu Ying Yin, James, "Happy Zone") on the same date as a nil paid share.
- (d) On 11 June 2014, 50 and 49 Shares of HK\$0.01 each were allotted and issued for a consideration of HK\$0.50 and HK\$0.49 respectively to Happy Zone and Mr. Cheng Lap Yin, the shareholders of the Company (the "Controlling Shareholders"), respectively.

15. Note to the Condensed Consolidated/Combined Statement of Cash Flows

During the six months ended 30 June 2014, dividends of HK\$1,076,000 (six months ended 30 June 2013: Nil) were settled through the current accounts between the directors (who were also the Controlling Shareholders of the Company) and the Company.

16. Operating Lease Arrangements

As lessee

The Group leases certain of its office premises and staff quarter under operating lease arrangements. The leases are negotiated for terms ranging from one to ten 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 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within 1 year	1,184	1,146
In the second to fifth years, inclusive	2,285	2,743
	3,469	3,889

17. Commitments

In addition to the operating lease commitment detailed in note 16 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Contracted, but not provided for:		
Capital contributions payable to a subsidiary	—	741
Plant and machinery	—	960
	—	1,701

NOTES TO THE CONDENSED CONSOLIDATED/COMBINED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

18. Related Party Transactions

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

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Brokerage fee paid to Mars Securities Company Limited ("Mars Securities")	(i)	—	82
Rental expenses paid to Action Win Industries Limited ("Action Win")	(ii)	162	162
Rental expense paid to Liu and Cheng (Cambodia) Limited	(iii)	58	—
Dividends to the Controlling Shareholders	(iv)	1,076	—

Notes:

- (i) Brokerage fee was paid to Mars Securities, which was controlled by Mr. Liu Ying Yin, James, for the brokerage services rendered to the Group in respect of security transactions carried out during the prior period.
- (ii) Rental expenses were paid to Action Win, which was controlled by Mr. Liu Ying Yin, James, for a lease of office premises located in Hong Kong and were charged at a monthly rental of HK\$27,000.
- (iii) Rental expense was paid to Liu and Cheng (Cambodia) Limited, which was controlled by Mr. Liu Ying Yin, James, for a lease of office premises located in Cambodia and were charged at a monthly rental of US\$2,500.
- (iv) Dividends were declared and paid to the Controlling Shareholders through the current accounts with the directors, who were also the Controlling Shareholders of the Company.

(b) Commitment with a related party

The Group entered into an operating lease arrangement as lessee with a company controlled by Mr. Liu Ying Yin, James for a lease term of ten years, subject to a one-month termination notice. The total amount of rental expenses for the six months ended 30 June 2014 and 2013 are disclosed in note 18 (ii) above.

(c) Outstanding balances with related parties

Other than the amounts due from directors as disclosed in note 12 above, the Group had no outstanding balances with related parties as at the end of the reporting period.

(d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Short term employee benefits	1,765	1,112
Post-employment benefits	31	30
Total compensation paid to key management personnel	1,796	1,142

19. Fair Value and Fair Value Hierarchy

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

Group

	Carrying amounts		Fair values	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Financial assets				
Other receivables, non-current portion	—	775	—	761

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, the current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from directors and interest-bearing bank 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 portion of other receivables have been estimated using a discounted cash flow valuation model by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The model incorporates various unobservable inputs including the credit quality of counterparties.

The Group did not have any financial assets or liabilities measured at fair values as at 30 June 2014 and 31 December 2013.

During the six months ended 30 June 2014 and the year ended 31 December 2013, 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.

Assets for which fair values are disclosed:

Group

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Fair value measurement using significant unobservable inputs (Level 3)		
— Other receivables, non-current portion	—	761

20. Contingent Liabilities

As disclosed in the Prospectus, a wholly-owned subsidiary of the Company, Hanbo Enterprises Limited (the "Defendant"), was a 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 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 interim 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, each of the Controlling Shareholders has 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 Date.

21. Events After the Reporting Period

The following significant events of the Group occurred after the end of the reporting period:

(a) Capitalisation issue

Pursuant to a written resolution of the shareholders of the Company passed on 20 June 2014, a total of 359,999,900 Shares of HK\$0.01 each were allotted and issued at par value to the Controlling Shareholders by way of capitalisation of HK\$3,599,999 from the Company's share premium account on 11 July 2014. The respective Shares allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

(b) Initial public offering

On 11 July 2014, 120,000,000 Shares of HK\$0.01 each were issued at a price of HK\$0.52 per share in connection with the Company's initial public offering. The proceeds of HK\$1,200,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK\$61,200,000 (before expenses) were credited to the share premium account. Dealings in the Shares on the Stock Exchange commenced on 11 July 2014.

22. Approval of the Interim Financial Report

These unaudited condensed consolidated/combined interim financial statements were approved and authorised for issue by the board of directors on 29 August 2014.