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# 中國港橋控股有限公司

China HKBridge Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the “**Board**”) of directors (the “**Directors**”) of China HKBridge Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017 (the “**Period**”), together with the comparative figures for the corresponding period in 2016.

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
<b>REVENUE</b>	3	<b>372,589</b>	246,849
Cost of sales and services rendered		<u>(273,703)</u>	<u>(217,245)</u>
Gross profit		<b>98,886</b>	29,604
Other income	3	<b>53,569</b>	2,598
Other gains and losses, net	4	<b>(1,784)</b>	47,042
Selling and distribution costs		<b>(17,031)</b>	(21,397)
Administrative expenses		<b>(50,463)</b>	(41,408)
Finance costs	5	<b>(33,621)</b>	(7,803)
Share of results of associates		<b>400</b>	—
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>	6	<b>49,956</b>	8,636
Income tax expense	7	<b>(14,286)</b>	(1,227)
<b>PROFIT FOR THE PERIOD</b>		<b>35,670</b>	7,409
<b>Other comprehensive income for the Period</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		<b>14,003</b>	(8,487)
Release of translation reserve included in profit or loss upon disposal of subsidiaries and an associate		<b>—</b>	(38,177)
<b>Total comprehensive income for the Period</b>		<b>49,673</b>	(39,255)

		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Note</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(loss) for the Period attributable to:			
Owners of the Company		<b>35,670</b>	8,916
Non-controlling interests		—	(1,507)
		<u>35,670</u>	<u>7,409</u>
Total comprehensive income for the Period attributable to:			
Owners of the Company		<b>49,673</b>	(37,788)
Non-controlling interests		—	(1,467)
		<u>49,673</u>	<u>(39,255)</u>
<b>Earnings per share attributable to owners of the Company</b>			
— Basic and diluted	8	<u><b>HK2.44 cents</b></u>	<u>HK0.79 cents</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

		At 30 June 2017 (Unaudited) <i>HK\$'000</i>	At 31 December 2016 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		890,000	189,944
Loans from a director		—	91,378
Deferred tax liabilities		43,529	44,873
		<hr/>	<hr/>
Total non-current liabilities		933,529	326,195
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>1,217,051</b>	<b>1,167,378</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	146,400	144,000
Reserves		1,070,651	1,023,378
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>1,217,051</b>	<b>1,167,378</b>
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# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation and accounting policies

### (a) *Basis of preparation*

The unaudited condensed consolidated financial statements for the Period have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 and other relevant provisions of The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

### (b) *Principal accounting policies, accounting estimates and judgements*

The unaudited condensed consolidated financial statements for the Period have been prepared on the historical cost basis except for certain financial assets or instruments that are measured at fair values.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the Period are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016 except for those as described in (c) below.

The preparation of the unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the unaudited condensed consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2016.

### (c) *Adoption of amendments to Hong Kong Financial Reporting Standards (the “HKFRSs”)*

During the Period, the Group has applied for the first time, the following amendments to HKFRSs issued by the HKICPA which are relevant to and effective for the Group’s unaudited condensed consolidated financial statements for the annual period beginning on 1 January 2017:

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

The adoption of these amendments has no material impact on the Group’s unaudited condensed consolidated financial statements for the Period.

**(d) New or revised HKFRSs that have been issued but are not yet effective and not early adopted by the Group**

The following new or revised HKFRSs, potentially relevant to the Group's unaudited condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

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

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

## **2. Segment information**

### **(a) Reportable segments**

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

#### ***Six months ended 30 June 2017***

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

- (1) Manufacturing segment — Manufacture and sales of printed circuits boards (“PCBs”)
- (2) Treasury investments segment — Investment in securities and other related activities
- (3) Financial services segment — Asset management, investment and other consultancy related services

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

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

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

*Six months ended 30 June 2016*

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

**(b) Geographical information**

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

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

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

### 3. Revenue and other income

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

An analysis of revenue and other income is as follows:

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

### 4. Other gains and losses

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



## 5. Finance costs

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
— Borrowings	25,276	4,485
— Loan from a related company	3,000	552
— Loans from a director	3,192	2,655
— Obligation under finance leases	13	111
Arrangement fees	2,025	—
Bank charges	115	—
	<u>33,621</u>	<u>7,803</u>

## 6. Profit before income tax expense

This is arrived at after charging/(crediting):

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories recognised as an expense	248,216	217,245
Cost of services rendered	25,487	—
(Reversal of)/write-down of inventories (Included in cost of inventories recognised as an expense)	(1,015)	2,375
Depreciation of property, plant and equipment	7,184	9,131
Release of prepaid lease payments	82	64
	<u>279,964</u>	<u>238,815</u>

## 7. Income tax expense

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

## 8. Earnings per share

The calculation of the basic earnings per share attributable to owners of the Company is based on the Group's profit for the Period attributable to owners of the Company of HK\$35,670,000 (six months ended 30 June 2016: HK\$8,916,000) and the weighted average number of ordinary shares in issue of 1,463,736,000 (six months ended 30 June 2016: 1,125,275,000) during the Period.

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

## 9. Dividend

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

## 10. Property, plant and equipment

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

## 11. Trade receivables

The Group's credit period varies and depends on individual trade customers, ranging from 30 to 120 days (31 December 2016: 30 to 120 days). The Group closely monitors its outstanding trade receivables. Overdue balances are reviewed regularly by the Group's senior management. The following is an ageing analysis of trade receivables (net of allowance for doubtful debts) based on invoice date at the end of the reporting period:

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

## 12. Loan receivables

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

*Note:*

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

### 13. Equity instruments at fair value through profit or loss

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

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

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

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

### 14. Trade payables

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

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

The trade payables are non-interest bearing and are normally settled on terms of 60 to 120 days (31 December 2016: 60 to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 15. Share capital

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

## 16. Share award scheme

On 17 May 2016, the Company adopted a share award scheme (the “**Share Award Scheme**”), pursuant to which the Board may propose or determine the grant of the Company’s shares to any Directors, employees or third party service providers of the Group as their incentives and rewards so as (i) to provide them with an opportunity to acquire a proprietary interest in the Company; (ii) to encourage and retain such individuals to work with the Company; and (iii) to provide additional incentive for them to achieve performance goals, subject to such conditions as the Board may deem appropriate at its discretion. Further details of the Share Award Scheme were set out in the Company’s announcement dated 17 May 2016.

Afterwards, the Board resolved to award certain award shares (the “**Award Shares**”) to two executive Directors of the Company namely Mr. Liu Tingan (“**Mr. Liu**”) and Mr. Zhou Huorong (“**Mr. Zhou**”) under the Share Award Scheme, which will be vested in five equal batches on 31 March 2017, 2018, 2019, 2020 and 2021, respectively. The vesting of the Award Shares is subject to satisfaction of vesting criteria and conditions, including the Group’s achievement of expected return percentage in each year in respect of the Group’s assets management and investment business as approved by the Board. Further details of the grant of the Award Shares were set out in the Company’s announcements dated 17 May 2016 and 24 August 2016 and circulars dated 5 July 2016 and 30 September 2016, respectively.

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

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

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

## **BUSINESS REVIEW**

### **PCBs business**

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

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

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

### **Treasury investments**

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

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

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

## **Financial Services**

### *Asset Management*

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

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

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

### *Investment and other consultancy related services*

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

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

## **PROSPECT**

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

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

## FINANCIAL REVIEW

### Liquidity and financial resources

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

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

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

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

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



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

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

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

The Group’s interest-bearing borrowings are secured by the followings:

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

## **MATERIAL ACQUISITION OR DISPOSALS**

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

## **FOREIGN EXCHANGE EXPOSURE**

Sales of the Group’s PCBs products are principally denominated in USD and purchases of materials and payments of operational expenses are denominated in USD, HKD and RMB. The rest of the Group’s transactions are mainly denominated in HKD and RMB. The Group currently does not have a foreign currency hedging policy. However, the Group’s management closely monitors foreign exchange exposure and will consider doing hedging to minimise the Group’s exposure to foreign exchange risks.

## **NUMBER AND REMUNERATION OF EMPLOYEES**

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

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

These have been no material changes to the information disclosed in the 2016 Annual Report in respect of the share option scheme (which has been expired), remuneration policies, staff training and development of the Group as well as the Share Award Scheme and the grant of Award Shares.

## **CAPITAL COMMITMENTS**

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

On the other hand, the Group's capital commitments under the treasury investments segment contracted but not provided for amounted to HK\$110 million (31 December 2016: HK\$340 million) and there was no capital commitment authorised but not contracted for outstanding for both years. The outstanding commitments under the treasury investments segment were related to the acquisition of listed securities. Subsequent to 30 June 2017, the Group received a termination notice from the seller indicating that the seller decided to terminate the completion of the acquisition of listed securities. Further details in relation to the said termination were set out in the Company's announcement dated 25 July 2017.

## **MATERIAL CHANGES**

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

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board and the management of the Company opine that the Company has properly operated during the Period in accordance with the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) which sets out (a) code provisions (which are expected to comply with); and (b) recommended best practices (which are for guidance only) in Appendix 14 of the Listing Rules. The Company has complied with the code provisions and one of the recommended best practices of the CG Code during the Period except for one deviation of code provisions as stated in the section headed “Compliance with CG Code” below.

The Board is committed to the principles of transparency, accountability and independence highlighted by the CG Code to better enhance the shareholders’ value and proper management of corporate assets in the following ways:

1. ensuring the decision-making process, risk management process, internal controls, disclosure of information and the communication with stakeholders are carried out in accordance with good management practices and compliance with the respective regulatory standards;
2. cultivating a culture of integrity, transparency and accountability for the Company, its staff and Directors and emphasising the importance of their roles in such an environment; and
3. adopting quality standards widely recognised to foster quality management in every aspect of daily operations to enhance the performance and value of the Company as a whole.

The Company has in practice complied with the new requirements under the amendments to C.3.3 of the CG Code relating to risk management and internal control since 1 January 2016. The Board confirms that the existing terms of reference for the Audit Committee are in compliance with the new requirements under the amendments to C.3.3 of the CG Code.

### **Compliance with CG Code**

The Directors confirm that, the Company has complied with the code provisions set out in the CG Code during the Period save for the deviation mentioned below.

During the Period, Mr. Liu was appointed as the Chairman as well as the Chief Executive Officer of the Company in place of Mr. Cheok Ho Fung on 22 March 2016. This arrangement deviates from provision A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Directors are of the opinion that the current arrangement will provide stronger leadership for managing the Group and will enable effective business planning. The Directors believe that it does not have a material adverse impact on the corporate governance of the Company.

The Board will carry out a regular review and propose any amendment, if necessary, to ensure compliance with the CG Code provisions as set out in the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)**

The Company has adopted its own code of conduct (the “**Own Code**”) regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules.

The Company, having made specific enquiries, confirms that members of the Board have complied with the Own Code throughout the Period. Members of the Company’s management, who, due to their positions in the Company, are likely to be in possession of inside information, have also complied with the provisions of the Own Code.

### **AUDIT COMMITTEE**

The audit committee of the Board, comprising all the three independent non-executive Directors of the Company, has reviewed the Group’s unaudited condensed consolidated financial statements for the Period and has discussed with the management of the Company about the accounting principles and accounting standards adopted by the Group and matters relating to the risk management, internal control and financial reporting of the Group. The audit committee has the delegated responsibility from the Board to assure that adequate internal controls are in place and followed.

### **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the HKEXnews website of The Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.hkbridge.com.hk](http://www.hkbridge.com.hk), respectively. The 2017 interim report of the Company, which contains all the information required by the Listing Rules, will be despatched to the shareholders of the Company and published on the above websites in due course.

### **APPRECIATION**

On behalf of the Board, I would like to extend my gratitude and sincere appreciation to all management and staff members for their diligence and dedication, and also to our business partners and the Company’s shareholders for their continuing support.

On behalf of the Board  
**China HKBridge Holdings Limited**  
**Liu Tingan**  
*Chairman and Chief Executive Officer*

Hong Kong, 16 August 2017

*As at the date of this announcement, the Board comprises Mr. Liu Tingan and Mr. Cheok Ho Fung being executive Directors; and Mr. Mao Yumin being non-executive Director; and Mr. Ng Man Kung, Dr. Ngai Wai Fung and Mr. Lau Fai Lawrence being independent non-executive Directors.*