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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2016	2015	% Change
	HK$'000	*HK$'000*	
	(Unaudited)	(Unaudited)	
Revenue	**207,605**	235,682	(11.9%)
Gross profit	**30,768**	38,542	(20.2%)
Profit for the period and attributable to owners of the Company	**4,136**	3,593	15.1%
Basic earnings per share	**HK0.86 cents**	HK0.75 cents	

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Hanbo Enterprises Holdings Limited (the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015. The consolidated interim financial information of the Group for the six months ended 30 June 2016 has not been audited, but has been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

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

NOTES

1. CORPORATE INFORMATION

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

2. BASIS OF PRESENTATION AND PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

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

Information about major customers

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

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

* Less than 10% of revenue

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

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

6. FINANCE COSTS

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

7. PROFIT BEFORE TAX

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

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

8. INCOME TAX

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

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

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

10. PROPERTY, PLANT AND EQUIPMENT

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

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

11. TRADE AND BILLS RECEIVABLES

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

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

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

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

12. TRADE AND BILLS PAYABLES

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

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

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

13. SHARE CAPITAL

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

14. CONTINGENT LIABILITIES

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

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

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

In addition, pursuant to the deed of indemnity dated 20 June 2014, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

Financial Review

Revenue

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

Cost of Sales

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

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

Gross Profit and Margin

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

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

Other Income and Gains, net

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Other Expenses, net

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

Finance Cost

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

LIQUIDITY AND FINANCIAL RESOURCES

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

GEARING RATIO

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

TREASURY POLICIES

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

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL EXPENDITURES

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

CAPITAL COMMITMENTS

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

SIGNIFICANT INVESTMENT HELD

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

RISK MANAGEMENT

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

Interest rate risk

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

Foreign currency risk

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

Credit risk

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

Liquidity risk

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

Contingent Liabilities

As disclosed in note 14 in this announcement, the Board considers that the results of the Litigation will have no material adverse impact on the business, operations and financials of the Group.

Charge on the Group's Assets

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

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

On 11 July 2014, 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, the Group intends to use the proceeds for (i) enhancement of the Group's design and development capability; (ii) expansion of the Group's network of third-party manufacturers; (iii) product type expansion; (iv) enhancement of the information technology system and upgrading of the Group's enterprise resource planning system; and (v) working capital and other general corporate purposes. The Company intends to continue to apply the net proceeds in accordance with the proposed applications set out above.

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

(i) Approximately HK$179,000 was incurred in operating Vietnam office. Sales during the Reporting Period through factories managed and coordinated by Vietnam office amounted to HK$19.1 million. The office was closed and its operation has been consolidated into Cambodia office since May 2016 to improve efficiency.

(ii) Total consulting fee paid to a marketing consultant to develop the European, South American and Russia markets during the Reporting Period was EUR8,000 (equivalent to approximately HK$69,000). The appointment was not renewed when it expired on 31 March 2016.

(iii) Approximately HK$468,000 was incurred in operating the handbag/accessories team. Sales during the Reporting Period amounted to HK$1.4 million.

(iv) Our email servers and enterprise resource planning system have been successfully relocated to the cloud. Total usage fee paid to a service provider during the Reporting Period was approximately HK$531,000. Besides, the functions of the ERP system are continuously enhanced. New module of mobile quality inspection is being developed to streamline the quality inspection work. Dashboards have been built and extensively used by management to monitor the order status and performance.

FUTURE PROSPECTS

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

CORPORATE GOVERNANCE

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

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

Following the resignation of an independent non-executive director on 15 April 2016, the nomination committee did not comprise a majority of independent non-executive directors, which deviated from the code provision A.5.1. Subsequent to the end of the reporting period, on 14 July 2016, a new independent non-executive director was appointed. The deviation was rectified accordingly. The Directors will review the Company's corporate governance policies and compliance with the Code Provisions from time to time.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

INTERIM DIVIDEND

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

PUBLICATION OF THE INTERIM RESULTS AND THE INTERIM REPORT

The interim results announcement for the six months ended 30 June 2016 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hanbo.com). The interim report of the Company for the six months ended 30 June 2016 will be despatched to shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 31 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. CHENG Lap Yin, Mr. LIU Chung Tong, Mr. LIU Ying Yin, James, Mr. KAO Lap Shing, Mr. YU Yuen Mau, Banny, and the independent non-executive directors of the Company are Mr. CHUNG Kwok Pan, Mr. LAI Kin Keung and Mr. LAU Chart Chou.