

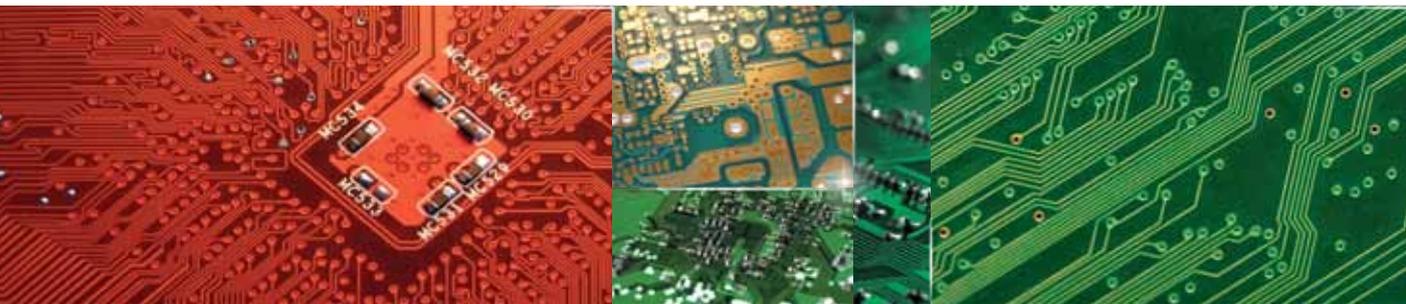


Topsearch International (Holdings) Limited

至卓國際（控股）有限公司\*

*(Incorporated in Bermuda with limited liability)*

*(Stock Code: 2323)*



INTERIM  
REPORT  
**2013**

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# Chairman's Statement

## FINANCIAL PERFORMANCE

Compared to the unaudited condensed consolidated interim results for the corresponding period in 2012, the revenue of Topsearch International (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 (the "Period") decreased. The Group's loss before income tax for the Period was approximately HK\$36.6 million as compared to loss before income tax of approximately HK\$54.4 million for the corresponding period of 2012. Loss per share attributable to owners of the Company was Hong Kong 3.52 cents for the Period, as compared to loss per share attributable to owners of the Company of Hong Kong 6.01 cents for the corresponding period of 2012.

## DIVIDENDS

The board of directors (the "Board" or "Directors") of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (2012: HK\$Nil).

## BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of a broad range of printed circuit boards (the "PCB") during the six months ended 30 June 2013.

There had not been any material changes during the six months ended 30 June 2013 in respect of such matters being discussed in the paragraph under the section headed "Financial Performance" in the Chairman Statement contained in 2012 Annual Report of the Company.

In fact, the Group was still experiencing the reduction in world-wide demand for personal computers which led to reduction in the demand for their ancillary parts and equipment including Hard Disk Drives, which has been the Group's major products supplied to our customers, leading to a comparatively low sales revenue for the six months ended 30 June 2013. Therefore, the Group had just been able to achieve sales turnover of about HK\$365 million for the six months ended 30 June 2013, representing a decrease of approximately 18.7% as compared to the corresponding period of 2012. In the meantime, the gross profit increased by 65.7% and the gross profit margin increased from 6.7% to 13.6% due to the reduction in material cost and the implementation of Group's internal stringent cost control measures. As a whole, the Group finally recorded net loss of approximately HK\$36.9 million for the six months ended 30 June 2013 (2012: HK\$55.6 million).

## BUSINESS REVIEW (continued)

To improve the Group's financial position progressively, the Group has been implementing various sales strategies to increase the sales turnover and profit margins of its products. The Group shall continue to enhance its marketing efforts to expand its market coverage and will further improve its product mix and plan to develop new products so as to widen its market coverage. The Group has been taking various cost control measures to tighten the costs of operations and various general and administrative expenditure especially after the completed relocation of production facilities from Shenzhen to Shaoguan.

## PROSPECT

In the first six months of 2013, the Group has seen a drop in revenue compared to the first six months of 2012. However, if these were to compare with the last six months of 2012, the amount is almost the same. This would indicate that the drop in revenue as a result of the closing of our Shekou factory has slowed down and come to a halt. And as reported in our 2012 Final Results Announcement, the Group is now positioned to re-gain some lost business going forward, once new customers giving us the AVL (Approved Vendor List) start to release volume orders to us, hopefully in the last quarter of this year.

There are of course exceptions to this optimistic view. As of the end of the second quarter 2013, almost all global providers of market intelligence have opined that the PC market continued to suffer slow shipment growth. The PC industry continues to shrink as the installed based restructures to accommodate tablets as the primary consumption device. Unfortunately the Group has not been benefited from the year-to-year growth of the tablets market due to various reasons, and the shrink in the shipment of PC in the last 5 quarters consecutively in the PC industry would have definitely affected the growth of Hard Disk Drives (HDD), to which is still a major sector the Group is providing its products.

While the Group is optimistic about its revenue growth in the last quarter this year as aforementioned, such view may be affected if the PC industry continues to shrink in a much faster speed, or the global economy will be impacted by the change of U.S. fiscal policy.

## 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

**Cheok Ho Fung**

*Chairman and Chief Executive Officer*

Hong Kong, 27 August 2013

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Liquidity and financial resources

The Group generally finances its operations through a combination of internally generated cash flows, shareholders' equity, borrowings from banks and shareholder's loans.

As at 30 June 2013, the Group had total equity of HK\$597 million (31 December 2012: HK\$623 million) and net debt (trade payables, other payables and accruals, interest-bearing bank loans, amount due to an associate and shareholder's loans less cash and cash equivalents) of HK\$421 million (31 December 2012: HK\$745 million), representing a gearing ratio, defined as net debt over total equity plus net debt, of 41% (31 December 2012: 54%).

As at 30 June 2013, the Group's net current liabilities of HK\$31 million (31 December 2012: HK\$6 million) consisted of current assets of HK\$379 million (31 December 2012: HK\$700 million) and current liabilities of HK\$410 million (31 December 2012: HK\$707 million), representing a current ratio of 0.92 (31 December 2012: 0.99).

As at 30 June 2013, the Group's current assets consisted of HK\$89 million (31 December 2012: HK\$64 million) of cash and cash equivalents, of which 1% was in Hong Kong dollars ("HKD"), 56% was in United States dollars ("USD"), 41% was in Renminbi ("RMB") and 2% in other currencies.

### Interest-bearing borrowings

As at 30 June 2013, the Group had interest-bearing borrowings as follows:

	<b>At 30 June 2013 (Unaudited) HK\$'000</b>	<b>At 31 December 2012 (Audited) HK\$'000</b>
Amounts payable:		
Within one year	<b>137,272</b>	385,174
In the second year	<b>99,354</b>	104,815
	<b>236,626</b>	489,989
Less: Portion classified as current liabilities	<b>137,272</b>	385,174
Portion classified as non-current liabilities	<b>99,354</b>	104,815

# Management Discussion and Analysis

## FINANCIAL REVIEW (continued)

### Interest-bearing borrowings (continued)

Of the total interest-bearing borrowings, HKD denominated loans accounted for 39% (31 December 2012: 19%), USD denominated loans accounted for 7% (31 December 2012: 34%), and the 54% balance was RMB denominated loans (31 December 2012: 47%) as at 30 June 2013.

Bank loans of HK\$13,854,000 (31 December 2012: HK\$160,174,000) carried floating interest rates and the effective interest rate is 4.07% (31 December 2012: ranged from 1.66% to 4.07%) per annum and HK\$123,418,000 (31 December 2012: HK\$225,000,000) carried at fixed interest rate of 6.0% (31 December 2012: 6.31%) per annum. The Board does not recognise a significant seasonality of borrowing requirements.

The bank loans and other banking facilities of the Group are secured by:

- (i) certain buildings and prepaid lease payments held by the Group (31 December 2012: certain buildings and prepaid lease payments held by the Group and one associate);
- (ii) the assignment of trade receivables of a subsidiary of the Group (31 December 2012: the assignment of intra-group companies' balances);
- (iii) a pledged bank deposit (31 December 2012: a pledged bank deposit).

The Group's bank loans that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<b>At 30 June 2013 (Unaudited) HK\$'000</b>	<b>At 31 December 2012 (Audited) HK\$'000</b>
Denominated in USD	<b>13,854</b>	160,174

# Management Discussion and Analysis

## FINANCIAL REVIEW (continued)

### Interest-bearing borrowings (continued)

There are shareholder's loans advanced by Mr. Cheok Ho Fung, an Executive Director, Chairman of the Board, Chief Executive Officer and a controlling shareholder of the Company at the effective interest rate of 7% (31 December 2012: 7%) per annum.

	<b>At 30 June 2013 (Unaudited) HK\$'000</b>	<b>At 31 December 2012 (Audited) HK\$'000</b>
Denominated in RMB	<b>4,203</b>	4,150
Denominated in USD	<b>3,650</b>	4,650

## MATERIAL ACQUISITIONS OR DISPOSALS

The Group neither held any significant non-consolidated investments nor underwent any material acquisitions or disposals of subsidiaries and associated companies during the first half year of 2013.

## FOREIGN EXCHANGE EXPOSURE

Sales of the Group's products are principally denominated in USD and the purchases of materials and payments of operational expenses are mainly denominated in USD, HKD and RMB. Approximately 47% of the Group's purchases and 84% of the Group's expenses are denominated in RMB. As the Group imported a substantial portion of its major raw materials and machines from overseas which were non-RMB denominated, this would help to mitigate the full effects arising from RMB appreciation.

The Group currently does not have a foreign currency hedging policy. However, the Group's management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure to minimise exchange risk should the need arise.

## NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2013, excluding the associated companies, the Group had approximately 2,476 employees (31 December 2012: 2,984). For the six months ended 30 June 2013, the Group's total staff costs amounted to HK\$84 million (2012: HK\$96 million).

There have been no material changes to the information disclosed in the 2012 Annual Report in respect of the share option scheme, remuneration policies and staff training and development.

# Management Discussion and Analysis

## CAPITAL COMMITMENTS

As at 30 June 2013, the Group's capital commitments contracted but not provided for amounted to approximately HK\$11 million (31 December 2012: approximately HK\$3 million) and there was no capital commitments authorised but not contracted for (31 December 2012: Nil). All of these capital commitments were related to construction of factory buildings and acquisition of plant and machinery.

## DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013 (2012: HK\$Nil).

The Group's current information in relation to those matters set out in paragraph 32 of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") has not changed materially from the information disclosed in its most recently published 2012 Annual Report.

# Disclosure of Additional Information

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 19 to the unaudited condensed consolidated financial statements, no contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

### 1. Directors' interests in Shares

As at 30 June 2013, the interests and short positions of the directors of the Company and its chief executive, or their respective associates in the share capital, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

#### (a) The Company

Name of director	Nature of interest		Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung	Direct	Long position	78,250,000	7.83%
	<i>Note</i> Deemed	Long position	432,000,000	43.20%
Total			510,250,000	51.03%

*Note:* These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his spouse, Mrs. Cheok Chu Wai Min.

# Disclosure of Additional Information

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

### 1. Directors' interests in Shares (continued)

#### (b) Associated Corporation — Inni International Inc.

Name of director		Nature of interest	Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung		Direct	12,250	49.00%
	Note	Deemed	12,750	51.00%
Total			25,000	100.00%

Note: These shares are jointly owned by Mr. Cheok Ho Fung and his spouse, Mrs. Cheok Chu Wai Min.

#### (c) Subsidiary — Topsearch Industries (Holdings) Limited

Name of director		Nature of interest	Number of deferred shares held	Percentage of total deferred shares issued
Mr. Cheok Ho Fung		Direct	2,000,100	10.00%
	Note	Deemed	17,999,900	90.00%
Total			20,000,000	100.00%

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his spouse, Mrs. Cheok Chu Wai Min.

# Disclosure of Additional Information

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

### 2. Directors' Interests in Share Options of the Company

As at 30 June 2013, none of the Company's directors held share options of the Company. The share option scheme of the Company expired on 30 May 2012.

Saved as disclosed above, as at 30 June 2013, none of the directors or chief executive of the Company or their respective associates had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

### Long positions in Shares:

As at 30 June 2013, the interests or short positions of every person holding 5% or more in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholders	Notes		Number of ordinary shares held	Percentage of issued capital
Inni International Inc.	Direct	Long position	432,000,000	43.20%
Mr. Cheek Ho Fung	Direct (i)	Long position Deemed	78,250,000 432,000,000	7.83% 43.20%
		Total	510,250,000	51.03%
Mrs. Cheek Chu Wai Min	(ii)	Deemed	510,250,000	51.03%
Hallgain Management Limited	(iii)	Deemed	206,992,000	20.70%

# Disclosure of Additional Information

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

### Long positions in Shares: (continued)

Name of shareholders	Notes			Number of ordinary shares held	Percentage of issued capital
Kingboard Chemical Holdings Limited	Direct	Long position		2,766,000	0.28%
	(iii) Deemed	Long position		204,226,000	20.42%
		Total		206,992,000	20.70%
Jamplan (BVI) Limited	(iii) Deemed	Long position		204,226,000	20.42%
Kingboard Laminates Limited	(iii) Direct	Long position		202,000	0.02%
Kingboard Investments Limited	(iii) Direct	Long position		204,024,000	20.40%

#### Notes:

- (i) The above interest in the name of Inni International Inc. was also disclosed as interest of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".
- (ii) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The shareholdings stated as held by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represented the same block of shares, which were also included as interests of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".
- (iii) Kingboard Investments Limited and Kingboard Laminates Limited, holders of 204,024,000 and 202,000 shares in the Company respectively, are wholly-owned subsidiary and a non wholly-owned subsidiary of Jamplan (BVI) Limited respectively which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallgain Management Limited owns 34.10% equity shares in Kingboard Chemical Holdings Limited.

# Disclosure of Additional Information

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

### Long positions in Shares: (continued)

Saved as disclosed above, as at 30 June 2013, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' Interests in Shares and Underlying Shares" above had registered any interests or short position in the shares or underlying shares of the Company that are required to be recorded pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEME

The share option scheme of the Company, the life of which is 10 years from its date of adoption on 30 May 2002, expired on 30 May 2012. The Board considered at its meeting and resolved not to propose any new share option scheme for the Company at this moment until otherwise further determined by the Board in future.

## MATERIAL CHANGES

There has been no material change in respect of any other matters since the publication of the Company's 2012 Annual Report.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the senior management of the Company (the "Senior Management") are of the opinion that the Company has properly operated in accordance with the Corporate Governance Code and Corporate Governance Report (the "CG Code") during the six months period from 1 January to 30 June 2013 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 some of the recommended best practices except for one deviation of code provisions as stated in the section headed "Compliance with CG Code" below.

# Disclosure of Additional Information

## CODE ON CORPORATE GOVERNANCE PRACTICES (continued)

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 audit and 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.

### 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 from 1 January to 30 June 2013 save for the deviation mentioned below.

Mr. Cheok Ho Fung is the Chairman as well as the Chief Executive Officer of the Company. 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.

# Disclosure of Additional Information

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE") (continued)

The Company, having made specific enquiries, confirms that members of the Board have complied with the Own Code throughout the six months ended 30 June 2013. Members of the Senior 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.

## THE BOARD OF DIRECTORS

As at the date of this Report, the Board consists of six Directors with a variety and a balance of skills and experience in accounting, manufacturing, marketing, finance, investment and legal professions. Their brief biographical particulars are set out in the 2012 Annual Report. The detailed composition of the Board during the Period and as at the date of this Report is as follows:

<b>Name of Directors</b>	<b>Position</b>
<b>Executive Director</b> Mr. Cheok Ho Fung	Chairman of the Board and the executive committee and Chief Executive Officer
<b>Non-Executive Directors</b> Mr. Tang Yok Lam, Andy	Member of remuneration committee and nomination committee
Mr. Ng Kwok Ying, Alvin	Member of audit committee
<b>Independent Non-Executive Directors</b> Mr. Leung Shu Kin, Alfred	Chairman of remuneration committee and member of audit committee and nomination committee
Mr. Wong Wing Kee	Chairman of nomination committee and member of audit committee and remuneration committee
Mr. Ng Kee Sin	Chairman of audit committee

## AUDIT COMMITTEE

The audit committee, comprising all the three independent non-executive directors and one non-executive director of the Company, has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2013 and discussed with the management of the Company the accounting principles and accounting standards adopted by the Group and matters relating to internal control and financial reporting of the Group.

# Unaudited Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>REVENUE</b>	4	<b>364,786</b>	448,598
Cost of sales		<b>(315,164)</b>	(418,643)
Gross profit		<b>49,622</b>	29,955
Other income	4	<b>2,109</b>	2,644
Other gains and losses	5	<b>(5,204)</b>	2,832
Selling and distribution costs		<b>(40,639)</b>	(33,677)
Administrative expenses		<b>(32,228)</b>	(39,668)
Finance costs	6	<b>(10,285)</b>	(16,490)
<b>LOSS BEFORE INCOME TAX</b>	7	<b>(36,625)</b>	(54,404)
Income tax	8	<b>(294)</b>	(1,227)
<b>LOSS FOR THE PERIOD</b>		<b>(36,919)</b>	(55,631)
<b>Other comprehensive income for the period</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising from translation of foreign operations		<b>10,344</b>	—
<b>Total comprehensive income for the period</b>		<b>(26,575)</b>	(55,631)
Loss for the period attributable to:			
Owners of the Company		<b>(35,166)</b>	(54,531)
Non-controlling interests		<b>(1,753)</b>	(1,100)
		<b>(36,919)</b>	(55,631)
Total comprehensive income for the period attributable to:			
Owners of the Company		<b>(24,880)</b>	(54,531)
Non-controlling interests		<b>(1,695)</b>	(1,100)
		<b>(26,575)</b>	(55,631)
<b>Loss per share attributable to owners of the Company</b>			
— Basic and diluted	9	<b>HK3.52 cents</b>	HK6.01 cents

# Unaudited Condensed Consolidated Statement of Financial Position

	Notes	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	579,350	588,764
Prepaid lease payments		23,295	23,339
Interests in associates		115,917	115,917
Rental and utility deposits		819	815
Available-for-sale financial assets		1,857	1,857
Deposits paid for acquisition of property, plant and equipment		6,140	3,861
		<b>727,378</b>	734,553
<b>CURRENT ASSETS</b>			
Inventories		104,574	118,926
Prepaid lease payments		589	538
Trade receivables	12	127,400	143,557
Prepayments, deposits and other receivables		41,991	357,968
Amounts due from associates		413	410
Pledged bank deposit		15,190	15,000
Bank balances and cash		89,278	63,934
		<b>379,435</b>	700,333
<b>CURRENT LIABILITIES</b>			
Trade payables	13	142,677	178,717
Other payables and accruals		126,230	135,916
Amount due to an associate		4,396	4,396
Interest-bearing bank loans	14	137,272	385,174
Tax payable		—	2,409
		<b>410,575</b>	706,612
<b>Net current liabilities</b>		<b>(31,140)</b>	(6,279)
<b>Total assets less current liabilities</b>		<b>696,238</b>	728,274

# Unaudited Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	<b>At 30 June 2013 (Unaudited) HK\$'000</b>	At 31 December 2012 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Shareholder's loans	15	<b>99,354</b>	104,815
Net assets		<b>596,884</b>	623,459
<b>CAPITAL AND RESERVES</b>			
Share capital	16	<b>100,000</b>	100,000
Reserves		<b>497,829</b>	522,709
Equity attributable to owners of the Company		<b>597,829</b>	622,709
Non-controlling interests		<b>(945)</b>	750
Total equity		<b>596,884</b>	623,459

# Unaudited Condensed Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Company									
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Property		Statutory		Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
				revaluation reserve	Translation reserve	reserve fund	Accumulated losses			
				(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000			
At 1 January 2013	100,000	337,854	19,000	—	158,593	7,335	(73)	622,709	750	623,459
Loss for the period	—	—	—	—	—	—	(35,166)	(35,166)	(1,753)	(36,919)
Other comprehensive income for the period:										
Exchange difference arising from translation of foreign operations	—	—	—	—	10,286	—	—	10,286	58	10,344
Total comprehensive income for the period	—	—	—	—	10,286	—	(35,166)	(24,880)	(1,695)	(26,575)
At 30 June 2013	100,000	337,854*	19,000*	—*	168,879*	7,335*	(35,239)*	597,829	(945)	596,884

	Equity attributable to owners of the Company									
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Property		Statutory		Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
				revaluation reserve	Translation reserve	reserve fund	Accumulated losses			
				(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000			
At 1 January 2012	90,660	337,640	19,000	18,351	249,177	30,008	(137,438)	607,398	3,369	610,767
Loss for the period	—	—	—	—	—	—	(54,531)	(54,531)	(1,100)	(55,631)
Total comprehensive income for the period	—	—	—	—	—	—	(54,531)	(54,531)	(1,100)	(55,631)
At 30 June 2012	90,660	337,640*	19,000*	18,351*	249,177*	30,008*	(191,969)*	552,867	2,269	555,136

\* These reserve accounts comprise the reserves of HK\$497,829,000 (30 June 2012: HK\$462,207,000) in the unaudited condensed consolidated statement of financial position.

# Unaudited Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>OPERATING ACTIVITIES</b>		
Loss before income tax	(36,625)	(54,404)
Adjustments for:		
Depreciation of property, plant and equipment	18,129	30,470
Interest income	(312)	(108)
Finance costs	10,285	16,490
Loss/(gain) on disposal of property, plant and equipment	4	(880)
Release of prepaid lease payments	291	495
Operating cash flows before movements in working capital	(8,228)	(7,937)
Increase in rental and utility deposits	(4)	—
Decrease in prepaid lease payments	—	114
Decrease in inventories	15,857	13,403
Decrease in trade receivables	16,157	9,775
Decrease in prepayments, deposits and other receivables	16,460	33,084
(Decrease)/increase in trade payables	(38,302)	70,511
Decrease in other payables and accruals	(11,406)	(11,348)
Utilisation of provision	—	(13,647)
Decrease in amount due to an associate	—	(24)
Cash (used in)/generated from operations	(9,466)	93,931
Income tax paid	(3,672)	(2,770)
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<b>(13,138)</b>	<b>91,161</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	312	108
Proceeds from disposal of property, plant and equipment	—	1,353
Deposits received for disposal of land and buildings	—	12,346
Proceeds from disposal of a subsidiary	305,017	—
Purchase of property, plant and equipment	(1,067)	(1,547)
Deposits paid for acquisition of property, plant and equipment	(2,630)	(7,316)
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>301,632</b>	<b>4,944</b>
<b>FINANCING ACTIVITIES</b>		
New bank loans raised	241,610	305,698
Repayment of bank loans	(491,055)	(438,312)
New shareholder's loans raised	—	63,075
Repayment of shareholder's loans	(5,461)	(3,783)
Interest paid	(10,285)	(16,490)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(265,191)</b>	<b>(89,812)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>23,303</b>	<b>6,293</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>63,934</b>	<b>107,456</b>
Effect on foreign exchange rate changes	2,041	—
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>89,278</b>	<b>113,749</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	89,278	113,749

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange. The directors of the Company consider that the immediate holding company and its ultimate holding company is Inni International Inc., which is incorporated in Liberia. Its ultimate controlling party is Mr. Cheok Ho Fung, an executive director and chief executive officer of the Company. The addresses of the registered office and principal place of business of the Company are Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and Room 3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of a broad range of PCB.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") which is same as the functional currency of the Company.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### (a) Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2013 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 to the Listing Rules. 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 2012.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

In preparing the unaudited condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a loss of HK\$36,919,000 during the six months period ended 30 June 2013 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$31,140,000. In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group's operations as a going concern, the directors of the Company have taken the following measures:

- (i) on 5 July 2013, the Group has successfully renewed the master revolving loans facility, comprising term loans, factoring loans, bank promissory drafts and domestic letters of credit, of totally RMB250 million with China Construction Bank Shaoguan Branch for a term of one year, for the purposes of re-financing part of the bank loans which was previously repaid in March 2013 and fulfilling the working capital requirements of a subsidiary of the Company in Qujiang;
- (ii) the controlling shareholder of the Company has provided shareholder's loans of HK\$99,354,000 to the Company as at 30 June 2013, which will be repayable in 2015. The controlling shareholder has undertaken to provide continuing financial support to the Group to meet its liabilities and commitments as and when they fall due in the next twelve months from the end of the reporting period. The undertaking from the controlling shareholder would render adequate fund and support to the Group for its operation and for its continuation as a going concern.

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

The unaudited condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared on the historical cost basis except for available-for-sale financial assets that are measured at fair value.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2013 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012 except 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 2012.

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### (c) Adoption of new or revised standards

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKAS 1 (Revised)	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Annual improvements	Annual improvements to HKFRSs — 2009-2011 Cycle

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### (c) Adoption of new or revised standards (continued)

#### ***Amendments to HKAS 1 (Revised) Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 (Revised) require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

The application of other new/revised HKFRSs in the current period has had no material impact on the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2013.

### (d) New or revised standards that are not yet effective and have not been early adopted by the Group

The new standards and amendments to standards, potentially relevant to the Group's financial statements that have been issued, but are not yet effective for the financial year beginning on 1 January 2013 have not been early adopted by the Group. The Group is in the process of making an assessment of the potential impact of these new or revised standards.

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 3. SEGMENT INFORMATION

No segment information is presented as the manufacture and sale of printed circuit boards is the only operating segment of the Group. The Group's chief operating decision maker (the Chief Executive Officer of the Group) regularly reviews the consolidated results of the Group as a whole for the purposes of resource allocation and assessment of performance. The Group considered that there is only one operating segment with the segment revenue, segment results, segment assets and segment liabilities the same as the revenue, loss for the period, total assets and total liabilities respectively as reported in the unaudited condensed consolidated financial statements.

### (a) Geographical information

The following table provides an analysis of the Group's sales by geographical market based on the location of customers:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Singapore	105,212	123,712
Malaysia	74,030	78,414
Thailand	58,194	51,698
The People's Republic of China (the "PRC")	54,370	90,588
Hong Kong	30,443	35,149
Europe	29,120	31,050
United States of America	5,915	18,133
Taiwan	4,408	15,914
Others	3,094	3,940
	<b>364,786</b>	448,598

#### Notes:

- (i) Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes.
- (ii) Non-current assets other than available-for-sale financial assets amounting to HK\$711,584,000 and HK\$13,937,000 (31 December 2012: HK\$718,458,000 and HK\$14,238,000) are located in the entities' country of domicile, in the PRC and Hong Kong, respectively.

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 3. SEGMENT INFORMATION (continued)

### (b) Information about major customers

Revenue from customers individually contributing over 10% of the total sales of the Group is as follows:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Customer A	97,465	91,704
Customer B	47,964	62,527
Customer C	N/A*	46,794
Customer D	N/A*	46,411

\* The corresponding revenue did not contribute over 10% of the total sales of the Group.

## 4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes.

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Revenue</b>		
Sales of goods	364,786	448,598
<b>Other income</b>		
Tooling income	505	1,024
Sample income	972	739
Bank interest income	312	108
Others	320	773
	<b>2,109</b>	<b>2,644</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Exchange (losses)/gains, net	(5,200)	1,952
(Loss)/gain on disposal of property, plant and equipment	(4)	880
	<b>(5,204)</b>	<b>2,832</b>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	6,729	13,936
Shareholder's loans	3,556	2,554
	<b>10,285</b>	<b>16,490</b>

## 7. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Cost of inventories recognised as an expense	315,164	418,643
Depreciation of property, plant and equipment	18,129	30,470
Release of prepaid lease payments	291	495

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 8. INCOME TAX

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
The income tax comprises:		
PRC Enterprise Income Tax		
Current period	—	926
Under-provision in prior years	294	301
Income tax	294	1,227

No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated financial statements as the Group has not derived any assessable profit in Hong Kong for the six months ended 30 June 2013 and 2012. No Macau profits tax has been provided as the subsidiary of the Company in Macau is exempted from Macau Complementary Tax for the six months ended 30 June 2013 and 2012.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 June 2012: 25%).

## 9. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the Group's loss for the period attributable to owners of the Company of HK\$35,166,000 (six months ended 30 June 2012: loss of HK\$54,531,000) and the weighted average number of ordinary shares in issue of 1,000,000,000 (six months ended 30 June 2012: 906,600,000) during the six months ended 30 June 2013.

Diluted loss per share are equal to basic loss per share for the six months ended 30 June 2013 and 2012 as there were no potential dilutive ordinary shares in issue in both periods.

## 10. DIVIDENDS

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$Nil).

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a cost of approximately HK\$1,418,000 (six months ended 30 June 2012: approximately HK\$10,785,000). Items of property, plant and equipment with net carrying amount of approximately HK\$4,000 (six months ended 30 June 2012: approximately HK\$473,000) were disposed of during the six months ended 30 June 2013, resulting in a loss on disposal of approximately HK\$4,000 (six months ended 30 June 2012: gain of approximately HK\$880,000).

## 12. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment by the Group. Periodic reviews of credit limits are performed with regard to the customers' established payment records. The Group's credit period varies and depends on individual trade customers, ranging from 30 to 120 days (31 December 2012: 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:

	<b>At 30 June 2013 (Unaudited) HK\$'000</b>	<b>At 31 December 2012 (Audited) HK\$'000</b>
0 — 30 days	<b>41,342</b>	48,043
31 — 60 days	<b>62,098</b>	71,136
61 — 90 days	<b>23,960</b>	22,578
Over 90 days	<b>—</b>	1,800
	<b>127,400</b>	143,557

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 13. TRADE PAYABLES

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

	<b>At 30 June 2013 (Unaudited) HK\$'000</b>	<b>At 31 December 2012 (Audited) HK\$'000</b>
0 — 30 days	<b>49,681</b>	43,498
31 — 60 days	<b>37,481</b>	49,707
61 — 90 days	<b>34,928</b>	23,315
Over 90 days	<b>20,587</b>	62,197
	<b>142,677</b>	178,717

The trade payables are non-interest bearing and are normally settled on terms of 60 to 120 days (31 December 2012: 60 to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 14. INTEREST-BEARING BANK LOANS

	<b>At 30 June 2013 (Unaudited) HK\$'000</b>	<b>At 31 December 2012 (Audited) HK\$'000</b>
Secured bank loans repayable within one year	<b>137,272</b>	385,174

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 15. SHAREHOLDER'S LOANS

	<b>At 30 June 2013 (Unaudited) HK\$'000</b>	<b>At 31 December 2012 (Audited) HK\$'000</b>
Unsecured loans from a controlling shareholder:		
— interest bearing at 7% and repayable on 2 January 2015 (31 December 2012: 2 January 2014)	<b>99,354</b>	104,815

The shareholder's loans were advanced by Mr. Cheok Ho Fung, a director and controlling shareholder of the Company and carried a fixed interest rate of 7% (31 December 2012: 7%) per annum.

## 16. SHARE CAPITAL

	<b>At 30 June 2013 (Unaudited) HK\$'000</b>	<b>At 31 December 2012 (Audited) HK\$'000</b>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.1 each	<b>200,000</b>	200,000
Issued and fully paid:		
1,000,000,000 ordinary shares of HK\$0.1 each	<b>100,000</b>	100,000

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 17. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>At 30 June 2013 (Unaudited) HK\$'000</b>	<b>At 31 December 2012 (Audited) HK\$'000</b>
Within one year	<b>4,528</b>	5,388
In the second to fifth years, inclusive	<b>1,188</b>	2,323
	<b>5,716</b>	7,711

Operating lease payments represent rentals payable by the Group for its office properties and staff quarters. Leases are negotiated for terms of one to three (31 December 2012: one to three) years with fixed rentals.

## 18. CAPITAL AND OTHER COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	<b>At 30 June 2013 (Unaudited) HK\$'000</b>	<b>At 31 December 2012 (Audited) HK\$'000</b>
Capital expenditure, contracted for but not provided in the unaudited condensed consolidated financial statements, in respect of:		
— the construction of factory buildings	<b>503</b>	752
— the acquisition of plant and machinery	<b>10,162</b>	2,175
	<b>10,665</b>	2,927

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 19. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in these unaudited condensed consolidated financial statements, during the Period, the Group had the following transactions with related parties:

Related party	Nature of transactions	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Keentop Investment Limited ("Keentop") (Note (i))	Rental expense and management fee expense	1,049	1,049
Mr Cheok Ho Fung (Note (ii))	Interest on shareholder's loans	3,556	2,554

Notes:

- (i) The amount paid to Keentop, which is beneficially owned by Mr. Cheok Ho Fung, a director of the Company, and his spouse, related to a property leased as their residence. Pursuant to a tenancy agreement entered into on 1 June 2011, the monthly rental and management fees were revised to HK\$165,000 and HK\$9,000 respectively, for the period from 1 June 2011 to 31 May 2014. The monthly management fee was increased to HK\$9,900 since 1 July 2011. The fees were based on a market rental valuation provided by a firm of independent professionally qualified valuers, DTZ Debenham Tie Leung Limited.
- (ii) The interest expense was charged at a fixed rate of 7% (six months ended 30 June 2012: 7%) per annum on the shareholder's loans granted by Mr. Cheok Ho Fung during the Period.
- (b) Details of the compensation of key management personnel of the Group were as follows:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short-term benefits	4,388	4,456
Post-employment benefits	137	151
	<b>4,525</b>	<b>4,607</b>

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The fair value of these financial assets and financial liabilities are determined as follows:

- the fair values of financial assets which are traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of financial assets and financial liabilities which are not quoted in active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quote for similar instrument.

Level 1 fair value measurements are derived from quoted prices (unadjusted) in active market for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Available-for-sale financial assets are measured subsequent to initial recognition at fair value, grouped into Level 2 (31 December 2012: Level 2).

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited condensed consolidated statement of financial position, except for interest-bearing bank loans and shareholder's loans, approximate to their fair values due to short maturity of these instruments. In addition, the fair value of interest-bearing bank loans and the shareholder's loans which are determined by discounting the expected future cash flows at market rates over the remaining maturity are not materially different from their carrying amounts.