



# WINSHINE 瀛晟科學

Winshine Science Company Limited

瀛晟科學有限公司\*

(Incorporated in Bermuda with limited liability)

Stock Code: 209

Interim Report  
**2016**

\* For identification purpose only

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## Abbreviations

In this interim report, the following abbreviations have the following meanings unless otherwise specified:

"Board"	the Board of Directors of the Company
"Company"	Winshine Science Company Limited
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, for the purpose of this report, excluding Hong Kong, Macau and Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK\$" and "HK cents"	Hong Kong dollars and cents
"RMB"	Renminbi
"%"	per cent.

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Gao Feng (*Chairman*)  
Mr. Zhang Jack Jiyei (*Chief Financial Officer*)  
Mr. Wu Jiang (*retired on 1 June 2016*)

### Non-executive Director

Mr. Lo Ming Chi, Charles

### Independent Non-executive Directors

Mr. Li Fang  
Mr. Wong Kee Fung Kenneth  
Mr. Wong Kwok Tai

## AUDIT COMMITTEE

Mr. Li Fang (*Chairman*)  
Mr. Wong Kee Fung Kenneth  
Mr. Wong Kwok Tai

## REMUNERATION COMMITTEE

Mr. Wong Kee Fung Kenneth (*Chairman*)  
Mr. Li Fang  
Mr. Wong Kwok Tai

## NOMINATION COMMITTEE

Mr. Li Fang (*Chairman*)  
Mr. Wong Kee Fung Kenneth  
Mr. Wong Kwok Tai

## COMPANY SECRETARY

Mr. Lau On Kwok

## TRADING OF SHARES

The Stock Exchange of Hong Kong Limited  
(Stock Code: 209)

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2202-2203, 22/F.  
Harbour Centre  
25 Harbour Road  
Wanchai, Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of China (Hong Kong) Limited  
Guangdong Development Bank  
Zhongshan Branch

## AUDITOR

Deloitte Touche Tohmatsu

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## WEBSITE

<http://www.winshine.com>  
<http://www.tricor.com.hk/webservice/000209>

# Management Discussion and Analysis

## BUSINESS REVIEW

For the six months ended 30 June 2016, the Group reported revenue of HK\$67,428,000, representing a year-over-year decrease of 6.4% (30 June 2015: HK\$72,049,000). Gross loss slightly increased to HK\$2,393,000 from gross loss of HK\$2,213,000 of the corresponding period. Due to the substantial loss on changes in fair value of trading securities, the Group reported loss for the period amounting to HK\$153,656,000, as compared with the loss of HK\$92,635,000 from the same period last year.

### Toys Division

The toys division recorded a drop in revenue of 6.4% to HK\$67.43 million for the six months ended 30 June 2016 (2015: HK\$72.05 million). Despite the increased marketing efforts made to improve the business in slack season, the customers in traditional major markets were still suffering from poor market responses and low economic growth and remained cautious in orders placing. As the revenue was still inadequate to offset the fixed production costs, the toys division continued to report gross loss for the first half. Gross loss was however controlled in a similar level of HK\$2.39 million (2015: gross loss of HK\$2.21 million) due to improved production efficiencies and a devalued RMB during the period. The devaluation of RMB and more stringent control of staff costs also helped the toys division in reducing the administrative expenses. As a result, the toys division contained further deterioration of operation and reported loss before tax of HK\$20.70 million, representing a year-on-year decrease of 17.8% from that of the corresponding period last year.

### Securities Investments

During the period under review, the global capital market experienced a volatile first half marked by heightened concerns about threats to worldwide economic growth and the turmoil caused by the Brexit referendum in June during which a majority of the British voters voted to leave the European Union. The capital market of Hong Kong and China was no exception and was negatively impacted by the concern over a slowdown of the Chinese economy. The Hong Kong Hang Seng Index declined from 21,914 points at 31 December 2015 to 20,794 points at 30 June 2016. The performance of the Group's securities investments division was largely impacted by one of its stocks portfolio and recorded loss on change of fair value of HK\$106.6 million. In March 2016, the share price of Tack Fiori International Group Limited plummeted by more than 68% after it announced the termination of very substantial acquisition transaction and resumed trading. Its share price continued to drop further and fell by a total of 85.5% during the period.

In view of the volatile market and as mentioned in the annual report, the Group undertook more cautious strategy and began to reduce its stock portfolio starting from the second quarter. As a result the Group's securities investment division recorded total loss on change of fair value of HK\$119.01 million (2015: gain of HK\$8.55 million), which consisted of realised loss of HK\$9.17 million and unrealised loss of HK\$109.84 million.

# Management Discussion and Analysis

## BUSINESS REVIEW (Continued)

### Securities Investments (Continued)

The Group's significant investments in securities investments held as at 30 June 2016 mainly comprised of the following stocks: (1) CNC Holdings Limited ("CNC"); (2) China E-Learning Group Limited ("CEL"); (3) China Strategic Holdings Limited ("CS") and (4) Tack Fiori International Group Limited ("TF"). The value of these stocks experienced different level of fluctuation during the review period. During the six months ended 30 June 2016, the share price of CNC opened from HK\$0.280, reaching the highest and lowest price of HK\$0.300 and HK\$0.221 respectively and closed at HK\$0.250; the share price of CEL opened from HK\$0.300, reaching the highest and lowest price of HK\$0.410 and HK\$0.188 respectively and closed at HK\$0.330; the share price of CS opened from HK\$0.218, reaching the highest and lowest price of HK\$0.300 and HK\$0.155 respectively and closed at HK\$0.205; the share price of TF opened from HK\$2.00, reaching the highest and lowest price of HK\$2.05 and HK\$0.19 respectively and closed at HK\$0.29.

### Breakdown of the Company's significant investments held as at 30 June 2016

Stock Code	Name	Principal Business	As at 30 June 2016			For the six months period ended 30 June 2016
			Number of shares held	% of total issued stock	Market Value HK\$'000	Gain/(loss) on change of fair value HK\$'000
8356	CNC Holdings Limited	TV broadcasting business and provision of waterworks engineering services	153,930,000	3.796%	38,482	(4,618)
8055	China E-Learning Group Limited	Provision of an internet platform for education program	86,744,000	2.945%	28,626	10,857
235	China Strategic Holdings Limited	Trading of metal minerals and electronic components, investment in securities and money lending	120,545,000	0.710%	24,712	(1,413)
928	Tack Fiori International Group Limited	Development and promotion of education software products and provision of technical support services in the PRC; sale of apparel in the PRC; and securities trading and investments business in Hong Kong	63,104,000	2.943%	18,300	(106,645)
	Others				23,091	(17,192)
<b>Total</b>					<b>133,211</b>	<b>(119,011)</b>

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

At 30 June 2016, the Group had current assets of HK\$311,799,000 (31 December 2015: HK\$439,942,000) comprising cash and cash equivalents of HK\$10,310,000 (31 December 2015: HK\$26,005,000) (excluding pledged bank deposits). The Group's current ratio, calculated as current assets divided by current liabilities of HK\$202,269,000 (31 December 2015: HK\$179,356,000), remained at a healthy ratio of 1.54 (31 December 2015: 2.45). At the period end, the Group's trading securities amounted to HK\$133,211,000, representing a decrease of 48% from that of the previous year end (31 December 2015: HK\$255,992,000). The Group's borrowings at 30 June 2016 were mainly denominated in Hong Kong dollars and Renminbi in the proportion of 72% and 28% (31 December 2015: 58% and 42%) respectively. All borrowings totalling HK\$126,610,000 (31 December 2015: HK\$100,329,000) would be matured within one year and bore fixed interest rate (31 December 2015: 100%).

As of 30 June 2016, the equity attributable to owners of the Company decreased by 32% to HK\$263,891,000 (31 December 2015: HK\$388,897,000) mainly as a result of the loss incurred by the Group. The Group financed its operations through a combination of debt financing and shareholder's equity. The Group's gearing ratio was determined as its net debt divided by total equity plus net debt where net debt included borrowings, trade and bills payables and other payables less pledged bank deposits and cash and cash equivalents. The gearing ratio of the Group at 30 June 2016 was approximately 42% (31 December 2015: 26%).

Despite the loss incurred by the Group, the financial position of the Group remained satisfactory with sufficient cash and available financial resources to support the Group's ongoing business operations.

### Placing of non-listed warrants under specific mandate

The Company completed the placement of non-listed warrants on 29 January 2016 with an aggregate of 480,000,000 non-listed warrants being successfully issued to investors at the placing price of HK\$0.065 per warrant. The net proceeds of approximately HK\$29.9 million raised from the placement of non-listed warrants have been used for business development and as general working capital of the Group.

### Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and United States dollars. The Group maintained a prudent position in its foreign currency risk management, to a large extent, foreign exchange risks are minimised by matching the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. When considered appropriate, the Group will enter into various financial derivative instruments in order to mitigate foreign exchange rate exposure. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant.

# Management Discussion and Analysis

## FINANCIAL REVIEW (Continued)

### Charge on Assets

At 30 June 2016, the Group's certain leasehold buildings and prepaid land premium in Mainland China with aggregate carrying amount of HK\$103,594,000 (31 December 2015: HK\$105,349,000), and bank deposits totalling HK\$504,000 (31 December 2015: HK\$12,649,000) were pledged to secure general banking facilities granted to the Group.

### Contingent Liabilities

At 30 June 2016, the Group had no significant contingent liability (31 December 2015: nil).

### Commitment

Details of the commitments of the Group are set out in note 17 to the condensed consolidated financial statements.

## EMPLOYEES AND REMUNERATION POLICY

At 30 June 2016, the Group had a total of approximately 2,298 (30 June 2015: 2,387) employees, including directors, in Hong Kong and Mainland China. The Group's total staff costs for the review period, including directors' remuneration, was HK\$62,560,000 (30 June 2015: HK\$107,484,000). Remuneration packages for employees and directors were structured by reference to market terms, individual performance and experience. Benefits plans maintained by the Group included provident fund scheme, pension scheme, medical insurance, share option scheme and discretionary bonuses. The Group also provided subsidies to staff for external training.



# Management Discussion and Analysis

## PROSPECTS

In the second half, the Group will continue to focus on both its existing business divisions and the new investments in the medical and health industry.

Looking forward into the second half, the toys division will face a more challenging market. Its major markets in US and Europe is experiencing slow economic growth, which affects negatively the customers spending hence toy products demand. Furthermore, the devaluation of currencies and poor economic growth in Russia, Brazil and Argentina will further aggravate the customers demand in toys products. Despite this, the toy division has been endeavouring to build stronger relationship with existing customers through competitive pricing and better sale support. It is expected that these efforts will enhance attraction to both new and the existing customers. Furthermore, the toys division will strive to improve the overall production efficiencies in the second half which is the traditional peak season. It has recruited adequate contract workers to meet the peak production demand on one hand and continues to invest in production automation on the other hand. Together with a stable RMB and material price, the toys division expects to achieve an improved result in the second half.

Regarding the securities investments business, the Group will continue to monitor closely on its investment portfolio and is prepared to realise the underperformed investments accordingly in the second half.

### Project update

#### *Formation of the joint venture company with Beijing Novotide Biomedical Technology Company Limited ("Novotide")*

In accordance with the subscription and shareholders' agreement, the Group has completed the set-up of a joint venture with Novotide and is in the process of establishing the investment vehicle in the PRC in the first half. Upon formation of the investment vehicle, the Group and Novotide will provide financial resources to the investment vehicle through the shareholders' loan to finance the research and development of Peptide Secretion Technology.

#### *Acquisition of 100% equity interest of Yi Nuo Technology (Suzhou) Company Limited*

In accordance with the acquisition agreement, a total of HK\$29.55 million has been paid to the vendor as refundable deposits up to 30 June 2016. The Group is currently in discussion with the vendor and the relevant authorities to complete the legal formalities. It is expected that the acquisition can be completed in the second half.

#### *Acquisition of 70% equity interest of Beijing Wufang Hospital Management Company Limited*

Due to the unfulfilled conditions precedent, the Group announced on 29 July 2016 that it has decided not to proceed with the acquisition and issued a written notice to the counterparties to terminate the acquisition agreement. The Group will continue to discuss with the vendors to unwind the acquisition accordingly.

# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>67,428</b>	72,049
Cost of sales		<b>(69,821)</b>	(74,262)
<b>Gross loss</b>		<b>(2,393)</b>	(2,213)
Other income and gain	5	<b>5,494</b>	5,312
Selling and distribution costs		<b>(1,936)</b>	(3,311)
Administrative expenses		<b>(32,860)</b>	(83,982)
Changes in fair value of trading securities		<b>(119,011)</b>	8,545
Other operating expenses		<b>(16)</b>	(14,357)
Finance costs		<b>(2,934)</b>	(2,629)
<b>Loss before taxation</b>	6	<b>(153,656)</b>	(92,635)
Income tax expense	7	–	–
<b>Loss for the period</b>		<b>(153,656)</b>	(92,635)
<b>Attributable to:</b>			
Owners of the Company		<b>(153,656)</b>	(92,635)
Non-controlling interests		–	–
		<b>(153,656)</b>	(92,635)
<b>Loss per share</b>			
Basic and diluted	8	<b>(HK6.18 cents)</b>	(HK4.25 cents)

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	<b>Six months ended 30 June</b>	
	<b>2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	2015 <i>HK\$'000</i> (unaudited)
<b>Loss for the period</b>	<b>(153,656)</b>	(92,635)
<b>Other comprehensive loss for the period</b> <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	<b>(1,614)</b>	(86)
Cumulative exchange differences relating to foreign operation disposed of during the period	–	49
Other comprehensive loss for the period, net of tax	<b>(1,614)</b>	(37)
<b>Total comprehensive loss for the period</b>	<b>(155,270)</b>	(92,672)
Total comprehensive loss attributable to:		
Owners of the Company	<b>(155,270)</b>	(92,672)
Non-controlling interests	–	–
	<b>(155,270)</b>	(92,672)

# Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	115,419	118,875
Prepaid land premiums		4,322	4,397
Deposits paid for purchase of property, plant and equipment		12,500	12,500
Refundable Deposits		29,549	–
		<b>161,790</b>	<b>135,772</b>
<b>Current assets</b>			
Trading securities		133,211	255,992
Inventories		62,278	37,362
Prepaid land premiums		152	152
Trade receivables	11	22,224	27,159
Loan receivables	12	47,103	48,000
Prepayments, deposits and other receivables		36,017	32,623
Pledged bank deposits		504	12,649
Cash and cash equivalents		10,310	26,005
		<b>311,799</b>	<b>439,942</b>
<b>Current liabilities</b>			
Trade and bills payables	13	45,562	48,286
Other payables and accruals		26,264	26,471
Borrowings	14	126,610	100,329
Tax payables		3,833	4,270
		<b>202,269</b>	<b>179,356</b>
<b>Net current assets</b>		<b>109,530</b>	<b>260,586</b>
<b>Total assets less current liabilities</b>		<b>271,320</b>	<b>396,358</b>
<b>Non-current liability</b>			
Deferred tax liabilities		7,429	7,461
<b>Net assets</b>		<b>263,891</b>	<b>388,897</b>

# Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	<i>Note</i>	<b>At 30 June 2016 HK\$'000 (unaudited)</b>	<b>At 31 December 2015 HK\$'000 (audited)</b>
<b>Capital and reserves</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	<b>248,489</b>	248,489
Reserves		<b>15,402</b>	140,408
<b>Total equity</b>		<b>263,891</b>	388,897

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Issued share capital HK\$'000	Share premium HK\$'000	Asset revaluation reserve HK\$'000 (Note)	Statutory reserve fund HK\$'000	Share options reserve HK\$'000	Warrant reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
<b>At 1 January 2016</b>	248,489	858,182	47,821	8,745	66,953	-	30,276	(871,569)	388,897
Loss for the period	-	-	-	-	-	-	-	(153,656)	(153,656)
Other comprehensive loss	-	-	-	-	-	-	(1,614)	-	(1,614)
Total comprehensive loss for the period	-	-	-	-	-	-	(1,614)	(153,656)	(155,270)
Issue of warrants	-	-	-	-	-	31,200	-	-	31,200
Transaction costs attributable to issue of warrants	-	-	-	-	-	(936)	-	-	(936)
<b>At 30 June 2016</b>	248,489	858,182	47,821	8,745	66,953	30,264	28,662	(1,025,225)	263,891
<b>At 1 January 2015</b>	202,369	718,073	50,653	8,349	26,500	-	39,339	(739,474)	305,809
Loss for the period	-	-	-	-	-	-	-	(92,635)	(92,635)
Other comprehensive loss	-	-	-	-	-	-	(37)	-	(37)
Total comprehensive loss for the period	-	-	-	-	-	-	(37)	(92,635)	(92,672)
Revaluation reserve realised	-	-	1,533	-	-	-	-	-	1,533
Issue of shares	40,000	120,000	-	-	-	-	-	-	160,000
Transaction costs attributable to issue of shares	-	(4,812)	-	-	-	-	-	-	(4,812)
Share option exercised	6,040	24,427	-	-	(10,445)	-	-	-	20,022
Recognition of equity-settled share-based payment	-	-	-	-	51,100	-	-	-	51,100
<b>At 30 June 2015</b>	248,409	857,688	52,186	8,349	67,155	-	39,302	(832,109)	440,980

Note: The Group's People's Republic of China (the "PRC") subsidiaries are required to allocate at least 10% of net profit to a statutory reserve fund until the balance of such reserve has reached 50% of the subsidiaries' registered capital. Any further appropriation is optional. The statutory reserve fund shall only be used for making up losses or for capitalisation into share capital, provided that the remaining balance is not less than 20% of the registered capital of the entity after such capitalisation.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	<b>Six months ended 30 June</b>	
	<b>2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	<b>2015</b> <b>HK\$'000</b> <b>(unaudited)</b>
<b>Net cash used in operating activities</b>	<b>(52,887)</b>	(206,196)
<b>Net cash used in investing activities</b>		
Receipt of loan receivables	<b>897</b>	–
Advance of loan receivables	–	(96,000)
Decrease (increase) in pledged bank deposits	<b>12,145</b>	(8,518)
Refundable deposits paid	<b>(29,549)</b>	–
Net cash outflow on disposal of a subsidiary	–	(58)
Other investing cash flows	<b>(1,551)</b>	(1,153)
	<b>(18,058)</b>	(105,729)
<b>Net cash from financing activities</b>		
Proceeds from issue of shares	–	160,000
Proceeds from borrowings	<b>184,962</b>	186,954
Repayment of borrowings	<b>(158,681)</b>	(171,892)
Proceeds from issue of warrants, net	<b>30,264</b>	–
Proceeds from share options exercised	–	20,022
Other financing cash flows	–	(7,441)
	<b>56,545</b>	187,643
Net decrease in cash and cash equivalents	<b>(14,400)</b>	(124,282)
<b>Cash and cash equivalents at 1 January</b>	<b>26,005</b>	145,879
Effect of foreign exchange rates changes	<b>(1,295)</b>	(37)
<b>Cash and cash equivalents at 30 June</b>	<b>10,310</b>	21,560
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and cash equivalents	<b>10,310</b>	21,560

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Rooms 2202-2203, 22/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are manufacturing and trading of toys and securities investments. The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

## 2. STATEMENT OF COMPLIANCE

These condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2015, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs"). The condensed consolidated financial statements do not include all the information and disclosures required for an annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015.

The measurement basis used in the preparation of these financial statements is the historical cost basis except for certain properties and financial instruments that are measured at fair values.



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

### 3. APPLICATION OF NEW AND REVISED HKFRSs

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatorily effective for the current interim period.

The application of the new and revised HKFRSs has had no material effect on the condensed consolidated interim financial statements of the Group for the current or prior accounting periods.

### 4. SEGMENT REPORTING

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

An analysis of the Group’s revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b> <b>HK\$’000</b> <b>(unaudited)</b>	2015 <i>HK\$’000</i> (unaudited)
<b>Revenue</b>		
Sale of goods	<b>67,428</b>	72,049

The Group is organised and its businesses are managed by divisions, which are a mixture of both business lines and geographical location. However, based on the information that is reported internally to the executive directors of the Company, being the chief operating decision maker of the Group, for the purposes of resources allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

1. Securities investments: this segment derives its revenue from dividends received from equity securities investments.
2. Manufacturing and trading of toys: this segment derives its revenue from manufacturing and trading of toys.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

## 4. SEGMENT REPORTING (Continued)

In accordance with HKFRS 8, segment information disclosed in these condensed consolidated financial statements has been prepared in a manner consistent with the information used by the chief operating decision maker for the purposes of assessing segment performance and allocating resources among segments. In this regard, the chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

All assets are allocated to reportable segments other than refundable deposits, deposits paid for purchase of property, plant and equipment, certain property, plant and equipment, loan receivables, certain prepayments and certain cash and cash equivalents, which are grouped as unallocated corporate assets.

All liabilities are allocated to reportable segments other than certain accruals, which are grouped as unallocated corporate liabilities.

Segment profit or loss before taxation exclude unallocated interest income and unallocated corporate expenses which are not directly attributable to the business activities of any operating segment.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

## 4. SEGMENT REPORTING (Continued)

## (a) Segment results, assets and liabilities

For the periods ended 30 June 2016 and 2015

	Securities investments		Manufacturing and trading of toys		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Reportable segment revenue</b>						
Revenue from external customers	-	-	67,428	72,049	67,428	72,049
<b>Reportable segment (loss) profit before taxation</b>	(119,231)	7,551	(20,696)	(25,180)	(139,927)	(17,629)
Unallocated corporate income					3,829	1,337
Unallocated corporate expenses					(17,558)	(76,343)
<b>Loss before taxation</b>					(153,656)	(92,635)
<b>Other segment information (included in the measure of segment profit or loss or regularly provided to chief operating decision maker)</b>						
Depreciation of property, plant and equipment	-	-	(4,246)	(4,503)	(4,246)	(4,503)
Amortisation of prepaid land premiums	-	-	(75)	(74)	(75)	(74)
Write down of inventories, net	-	-	(3,603)	-	(3,603)	-
Loss on disposal of property, plant and equipment, net	-	-	(14)	(63)	(14)	(63)
Impairment loss of trade receivables	-	-	-	(1,743)	-	(1,743)
Changes in fair value of trading Securities	(119,011)	8,545	-	-	(119,011)	8,545
Bank interest income	-	1	297	12	297	13
Interest expense	-	-	(2,934)	(2,629)	(2,934)	(2,629)
<b>Addition to non-current assets</b>						
Property, plant and equipment	-	-	1,465	1,223	1,465	1,223

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

## 4. SEGMENT REPORTING (Continued)

## (b) Reconciliation of reportable segment, assets and liabilities

As at 30 June 2016

	Securities investments <i>HK\$'000</i>	Manufacturing and trading of toys <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	159,689	217,381	377,070
Unallocated corporate assets			96,519
Total assets			<u>473,589</u>
Reportable segment liabilities	–	(196,321)	(196,321)
Unallocated corporate liabilities			(13,377)
Total liabilities			<u>(209,698)</u>

As at 31 December 2015

	Securities investments <i>HK\$'000</i>	Manufacturing and trading of toys <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	267,936	218,890	486,826
Unallocated corporate assets			88,888
Total assets			<u>575,714</u>
Reportable segment liabilities	–	(176,225)	(176,225)
Unallocated corporate liabilities			(10,592)
Total liabilities			<u>(186,817)</u>

Note: There were no inter-segment sales in both periods.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

**5. OTHER INCOME AND GAIN**

	<b>Six months ended 30 June</b>	
	<b>2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	<b>2015</b> <b>HK\$'000</b> <b>(unaudited)</b>
Bank interest income	299	13
Other interest income	3,827	1,336
Gain on disposal of a subsidiary	–	1,717
Mould income	658	889
Sundry income	710	1,357
	<b>5,494</b>	<b>5,312</b>

**6. LOSS BEFORE TAXATION**

The Group's loss before taxation is arrived at after charging the following:

	<b>Six months ended 30 June</b>	
	<b>2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	<b>2015</b> <b>HK\$'000</b> <b>(unaudited)</b>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	54,779	47,905
Other employee benefits	1,766	1,992
Contributions to defined contribution retirement plans	6,015	6,487
Equity-settled share-based payments	–	51,100
	<b>62,560</b>	<b>107,484</b>
Cost of inventories	65,217	72,398
Depreciation of property, plant and equipment	4,629	4,522
Amortisation of prepaid land premiums	75	74
Loss on disposal of property, plant and equipment	27	63
Write down of inventories, net	3,603	–
Impairment loss on trade receivables	–	1,743
Interest on borrowings	2,934	2,629

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

## 7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been calculated at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. No Hong Kong Profits Tax has been provided for in the condensed consolidated financial statements as the Group has no assessable profits for both periods.

The tax affairs of a subsidiary (incorporated in Hong Kong) of the Company for the period starting from 1 January 2004 are currently under field audit by the Hong Kong Inland Revenue Department ("IRD"). The directors, after consultation with the subsidiary's tax advisers, consider that the IRD is still in the information gathering stage and it is premature to quantify the amount of potential liabilities of the subsidiary, if any, that may arise.

Enterprise Income Tax in the PRC has been calculated based on the estimated assessable profits of subsidiaries operating in the PRC at 25%. No Enterprise Income Tax in the PRC has been provided in the condensed consolidated financial statements as the Group has no assessable profits for the periods.

## 8. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2016</b> <i>HK\$'000</i> <b>(unaudited)</b>	2015 <i>HK\$'000</i> (unaudited)
<b>Loss</b>		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	<b>(153,656)</b>	(92,635)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b>2,484,889</b>	2,177,432

The computation of diluted loss per share for the six months periods ended 30 June 2016 and 2015 does not assume the exercise of share options and warrants (six months ended 30 June 2015: share options) granted by the Company since such assumed exercise would be anti-dilutive.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

## 9. DIVIDENDS

No dividends were paid or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired certain property, plant and equipment totalling approximately HK\$1,557,000 (six months ended 30 June 2015: HK\$1,223,000). The Group disposed of machinery and equipment with carrying amounts totalling approximately HK\$33,000 (six months ended 30 June 2015: HK\$95,000).

## 11. TRADE RECEIVABLES

### Ageing analysis

The following is an analysis of the trade receivables by age, presented based on the invoice date and net of allowance for doubtful debts:

	<b>As at 30 June 2016 HK\$'000 (unaudited)</b>	As at 31 December 2015 HK\$'000 (audited)
0 to 30 days	<b>13,321</b>	19,816
31 to 90 days	<b>5,618</b>	7,023
Over 90 days	<b>3,285</b>	320
	<b>22,224</b>	27,159

### Notes:

- (i) All of the trade receivables are expected to be recovered within one year.
- (ii) The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by management. Trade receivables are non-interest bearing.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

## 12. LOAN RECEIVABLES

The loan receivables carry interest at a fixed rate of 8% per annum and are repayable in six months. At the end of the reporting period, the loan receivables were past due but not impaired. Subsequent to 30 June 2016, the Group has agreed with the borrowers to further extend the maturity of the loan receivables by six months from the extended maturity date until November to December 2016.

## 13. TRADE AND BILLS PAYABLES

The ageing analysis of the trade and bills payables as at the end of the reporting period is as follows:

	<b>As at 30 June 2016 HK\$'000 (unaudited)</b>	As at 31 December 2015 HK\$'000 (audited)
0 to 30 days	<b>28,911</b>	20,366
31 to 90 days	<b>12,673</b>	10,504
Over 90 days	<b>3,978</b>	17,416
	<b>45,562</b>	48,286

Note: The trade and bills payables are expected to be settled within one year.

## 14. BORROWINGS

During the current interim period, the Group obtained new borrowings amounting to HK\$184,962,000 (six months ended 30 June 2015: HK\$186,954,000) and repaid borrowings amounting to HK\$158,681,000 (six months ended 30 June 2015: HK\$171,892,000). The borrowings carry fixed interest at market rates ranged from 3.2% to 10.0% per annum (six months ended 30 June 2015: 4.00% to 6.42% per annum) and are repayable within one year.



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

## 15. SHARE CAPITAL

	Number of shares		Amount	
	2016 '000	2015 '000	2016 HK\$'000	2015 HK\$'000
<b>Authorised:</b>				
At 30 June				
ordinary shares of HK\$0.10 each	<b>7,000,000</b>	7,000,000	<b>700,000</b>	700,000
<b>Issued and fully paid:</b>				
At 1 January	<b>2,484,889</b>	2,023,689	<b>248,489</b>	202,369
Issue of ordinary shares	–	400,000	–	40,000
Exercise of share options	–	60,400	–	6,040
At 30 June	<b>2,484,889</b>	2,484,089	<b>248,489</b>	248,409

On 29 January 2016, the Company issued an aggregate of 480,000,000 warrants at HK\$0.065 per warrant. Each warrant carries the right initially to subscribe for one warrant share at the warrant exercise price of HK\$0.46. The subscription rights attaching to the warrants may be exercised at any time during a period of 12 months commencing from the issue date of the warrants. Upon full exercise of the subscription rights attaching to the warrants, a total of 480,000,000 warrant shares will be issued. The warrant shares, when fully paid and allotted, will rank pari passu in all respects with the then existing issued shares of the Company. The warrants are classified as equity instruments.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

## 16. EQUITY-SETTLED SHARE-BASED PAYMENTS

The Company's existing share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 25 July 2014 and the purpose of the Scheme is to reward participants (the "Grantees", including but not limited to directors, employees and other participants of the Group) who have contributed or will contribute to the Group and to encourage Grantees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The table below discloses the outstanding number of the Company's share options held by the Grantees:

	<b>Number of share options</b> '000
At 1 January 2016 and 30 June 2016	<u>308,120</u>

Details of share options granted under the Scheme are as follows:

<b>Name of grant</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price HK\$ per share</b>	<b>Share closing price immediately before grant date HK\$ per share</b>
2015 Grant	10 April 2015	10 April 2015 to 9 April 2020	0.465	0.425
2014 Grant	30 December 2014	30 December 2014 to 29 December 2019	0.305	0.270

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

**16. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)**

The movement of share options during the six months period ended 30 June 2016 is presented as follows:

	<b>Name of grant</b>	<b>At 1 January 2016</b>	<b>Reclassified during the period</b>	<b>At 30 June 2016</b>
		<b>'000</b>	<b>'000</b>	<b>'000</b>
<b>Executive directors</b>				
Mr. Gao Feng	2014 Grant	16,800	–	16,800
	2015 Grant	3,400	–	3,400
Mr. Zhang Jack Jiyei	2014 Grant	16,800	–	16,800
	2015 Grant	3,400	–	3,400
Mr. Wu Jiang (b)	2014 Grant	11,080	(11,080)	–
	2015 Grant	9,120	(9,120)	–
		<u>60,600</u>	<u>(20,200)</u>	<u>40,400</u>
<b>Independent non-executive director</b>				
Mr. Li Fang	2014 Grant	1,680	–	1,680
	2015 Grant	140	–	140
		<u>1,820</u>	<u>–</u>	<u>1,820</u>
Employees	2014 Grant	7,000	11,080	18,080
	2015 Grant	14,000	9,120	23,120
Other participants	2014 Grant	63,200	–	63,200
	2015 Grant	161,500	–	161,500
		<u>308,120</u>	<u>–</u>	<u>308,120</u>

*Note:*

- (a) There were no share options granted, exercised, lapsed or cancelled during the period.
- (b) Mr. Wu Jiang retired as the director of the Company on 1 June 2016.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

**16. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)**

The movement of share options during the six months period ended 30 June 2015 is presented as follows:

		Number of share options				
		At 1 January 2015 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000	At 30 June 2015 '000
Executive directors						
Mr. Gao Feng	2014 Grant	16,800	-	-	-	16,800
	2015 Grant	-	3,400	-	-	3,400
Ms. Liu Ying	2014 Grant	16,800	-	(16,800)	-	-
Mr. Zhang Jack Jiyei	2014 Grant	16,800	-	-	-	16,800
	2015 Grant	-	3,400	-	-	3,400
Mr. Wu Jiang	2014 Grant	11,080	-	-	-	11,080
	2015 Grant	-	9,120	-	-	9,120
		61,480	15,920	(16,800)	-	60,600
Independent non- executive directors						
Mr. Li Fang	2014 Grant	1,680	-	-	-	1,680
	2015 Grant	-	140	-	-	140
Ms. Yang Qinyan	2014 Grant	1,680	-	-	(1,680)	-
		3,360	140	-	(1,680)	1,820
Employees	2014 Grant	7,000	-	-	-	7,000
	2015 Grant	-	14,000	-	-	14,000
Other participants	2014 Grant	96,800	-	(33,600)	-	63,200
	2015 Grant	-	172,300	(10,000)	-	162,300
<b>Total</b>		<b>168,640</b>	<b>202,360</b>	<b>(60,400)</b>	<b>(1,680)</b>	<b>308,920</b>

*Notes:*

- (a) The share options granted to directors, employees and other participants are vested immediately upon granted.
- (b) There were no share options cancelled during the period.
- (c) Weighted average closing price of the listed shares of the Company immediately before the dates on which the options were exercised by Director and other participants were HK\$2.28 and HK\$2.12.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

## 16. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

The fair value of share options granted during the period ended 30 June 2015 in the amount of approximately HK\$51,100,000 was recognised as expenses. The Company had used the Binomial Option Pricing Model to value the share options granted during the period.

The following major assumptions were used to calculate the fair values of share options:

	As at 10 April 2015
Grant date share price	HK\$0.465
Exercisable period	5 years
Exercisable multiple	5
Exercise price	HK\$0.465
Expected volatility	66%
Expected dividend yield	0%
Risk-free interest rate	1.079%

The variables and assumptions used in computing the fair value of the share options were based on the directors' best estimate. The fair value of share option varies with different variables of certain subjective assumptions. The expected volatility was determined with reference to the historical daily volatilities of the share prices of the Company. The risk-free interest rate was determined with reference to the period average yields of the Exchange Fund Bills and Notes of comparable term issued by the Hong Kong Monetary Authority.

## 17. COMMITMENTS

### (a) Provision of financial assistance and advance to an entity

On 10 November 2015, the Group entered into a shareholders' agreement and a facility agreement, pursuant to which the Group will provide a loan facility of RMB45 million, bearing interest at a rate of 4% per annum, to Partners United Asia Limited ("Novotide BVI"), an independent third party. Novotide BVI is a wholly-owned subsidiary of Beijing Novotide Biomedical Technology Co. Ltd. (北京諾泰德生物醫藥科技有限公司) ("Beijing Novotide"). The loan will be used by Novotide BVI for its injection of shareholder's loan into Sky Grant Limited (天恩有限公司) ("Sky Grant"). Sky Grant is a non-wholly owned subsidiary of the Group and is owned as to 55% by the Group and 45% by Novotide BVI. The Group shall hold a fixed charge over Novotide BVI's Shares until the full repayment of the loan facility. Novotide BVI may not utilise the loan facility unless all conditions precedent as set out in the shareholders' agreement have been fulfilled.

As at 30 June 2016 and 31 December 2015, the transactions were in the process.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

**17. COMMITMENTS (Continued)****(b) Acquisition of Yi Nuo Technology (Suzhou) Company Limited (宜諾科技(蘇州)有限公司) (“Suzhou Yi Nuo”)**

On 17 February 2016, the Group entered into an acquisition agreement, pursuant to which the Group conditionally agreed to purchase 100% of the existing equity interest in Suzhou Yi Nuo, at a consideration of RMB64.5 million. Refundable deposits of approximately RMB24,762,000 (equivalent to approximately HK\$29,549,000) were paid to the vendors. As at 30 June 2016, there was a capital commitment of approximately RMB39,738,000 (equivalent to approximately HK\$45,916,000) in relation to the acquisition.

As at 30 June 2016, the transactions were in the process.

**(c) Acquisition of property, plant and equipment**

	<b>As at 30 June 2016 HK\$'000 (unaudited)</b>	As at 31 December 2015 HK\$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in consolidated financial statements	<b>12,500</b>	12,500

**18. MATERIAL RELATED PARTY TRANSACTIONS****Key management personnel remuneration**

The key management personnel of the Group are the directors and chief executive of the Company. Details of their remuneration are as follows:

	<b>Six months ended 30 June</b>	
	<b>2016 HK\$'000 (unaudited)</b>	2015 HK\$'000 (unaudited)
Salaries, allowances and other benefits in kind	<b>7,107</b>	6,098
Retirement scheme contributions	<b>60</b>	32
Equity-settled share-based payments	<b>–</b>	51,100
	<b>7,167</b>	57,230

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

**19. DISPOSAL OF A SUBSIDIARY**

During the six months period ended 30 June 2015, the Group entered into a disposal agreement with an independent third party to dispose of the entire registered capital of a subsidiary, 撫州崇信玩具製品有限公司 (Fuzhou Chongxin Toys Manufacturing Co. Ltd.), at a total consideration of RMB100,000 (equivalent to approximately HK\$127,000).

The aggregate net assets of the subsidiary at the date of disposal were as follows:

	<i>HK\$'000</i>
<hr/>	
<b>Gain on disposal of a subsidiary</b>	
Consideration received	127
Net liabilities disposed of	1,639
Cumulative exchange loss in respect of the net liabilities of a subsidiary reclassified from equity to profit or loss	(49)
	<hr/>
	1,717
	<hr/>
<b>Net cash outflow from disposal of a subsidiary:</b>	
Cash consideration received	127
Cash and cash equivalents disposed of	(185)
	<hr/>
	(58)
	<hr/>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Fair value measurements

#### Financial assets and liabilities measured at fair value

##### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>30 June 2016</b>				
Financial assets at fair value through profit or loss				
– Trading securities	<b>133,211</b>	–	–	<b>133,211</b>
<b>31 December 2015</b>				
Financial assets at fair value through profit or loss				
– Trading securities	255,992	–	–	255,992

During the six months ended 30 June 2016, there were no transfers between Level 1 and 2, or transfers into or out of Level 3 (six months ended 30 June 2015: nil).



## Other Information

### INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2016 (30 June 2015: nil).

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests of each of the directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under 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 (the "Model Code") contained in the Listing Rules were as follows:

#### Long positions in the shares and underlying shares of the Company

Name of Director	Capacity and nature of interest	Personal interest	Corporate interest	Total interest	Approximate percentage of the Company's issued share capital (Note 2)
Mr. Gao Feng ("Mr. Gao")	Beneficial owner	20,200,000	-	20,200,000	0.81%
	Interest of controlled corporations	-	1,576,795,472	1,576,795,472 (Note 1)	63.46%
Mr. Zhang Jack Jiyei ("Mr. Zhang")	Beneficial owner	20,200,000	-	20,200,000	0.81%
	Interest of controlled corporation	-	651,995,472	651,995,472 (Note 1)	26.24%
Mr. Li Fang	Beneficial owner	1,820,000	-	1,820,000	0.07%

*Notes:*

- 651,995,472 shares of the Company were held by Right Perfect Limited, which was a wholly-owned subsidiary of Brilliant Vision Global Limited ("BVG") which in turn was owned as to 50% by each of Mr. Gao and Mr. Zhang, both of whom are Executive Directors of the Company. Accordingly, Mr. Gao, Mr. Zhang and BVG were deemed to be interested in 651,995,472 shares of the Company under the SFO. Furthermore, Mr. Gao had an indirect interest in the Company through his 100% equity interest in Million Sky Worldwide Limited, which entered into a subscription agreement with the Company on 28 January 2016 to subscribe for 924,800,000 shares of the Company. Due to unfulfilled conditions precedent, the subscription agreement lapsed on 1 July 2016.
- The percentage of shareholding is calculated on the basis of 2,484,888,729 shares of the Company in issue as at 30 June 2016.

## Other Information

Save as disclosed above and in the “EQUITY-SETTLED SHARE-BASED PAYMENTS” disclosure in note 16 to the condensed consolidated financial statements, as at 30 June 2016, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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.

### **SHARE OPTION SCHEME**

Details of the share option scheme of the Company are set out in note 16 to the condensed consolidated financial statements.

### **DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in the sections headed “DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES” and “EQUITY-SETTLED SHARE-BASED PAYMENTS” disclosure in note 16 to the condensed consolidated financial statements, at no time during the six months ended 30 June 2016 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

## Other Information

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2016, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

#### Long positions in the shares of the Company

Name of shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital (Note 6)
Mr. Gao Feng ("Mr. Gao")	Interest of controlled corporations	1,576,795,472 (Note 1)	63.46%
Mr. Zhang Jack Jiyei ("Mr. Zhang")	Interest of controlled corporation	651,995,472 (Note 1)	26.24%
China Strategic Holdings Limited ("CSH")	Interest of controlled corporation	651,995,472 (Note 2)	26.24%
Mr. Xiao Junsheng ("Mr. Xiao")	Interest of controlled corporation	925,800,000 (Note 3)	37.26%
Mr. Yang Guangxiao ("Mr. Yang")	Interest of controlled corporation	925,800,000 (Note 4)	37.26%
上海蘭園資產管理有限公司 ("上海蘭園")	Interest of controlled corporation	1,083,900,000 (Note 5)	43.62%

#### Notes:

- 651,995,472 shares of the Company were held by Right Perfect Limited, which was a wholly-owned subsidiary of Brilliant Vision Global Limited ("BVG") which in turn was owned as to 50% by each of Mr. Gao and Mr. Zhang, both of whom are Executive Directors of the Company. Accordingly, Mr. Gao, Mr. Zhang and BVG were deemed to be interested in 651,995,472 shares of the Company under the SFO. Furthermore, Mr. Gao had an indirect interest in the Company through his 100% equity interest in Million Sky Worldwide Limited, which entered into a subscription agreement with the Company on 28 January 2016 to subscribe for 924,800,000 shares of the Company. Due to unfulfilled conditions precedent, the subscription agreement lapsed on 1 July 2016.
- CSH had an indirect interest in the Company through its 100% indirect ownership in U Credit (HK) Limited, which had security interest in 651,995,472 shares of the Company.
- Mr. Xiao had an indirect interest in the Company through his 50% equity interest in Mass Million Holdings Corporation, which entered into a subscription agreement with the Company on 28 January 2016 to subscribe for 925,800,000 shares of the Company. Due to unfulfilled conditions precedent, the subscription agreement lapsed on 1 July 2016.
- Mr. Yang had an indirect interest in the Company through his 50% equity interest in Mass Million Holdings Corporation, which entered into a subscription agreement with the Company on 28 January 2016 to subscribe for 925,800,000 shares of the Company. Due to unfulfilled conditions precedent, the subscription agreement lapsed on 1 July 2016.
- 上海蘭園 had an indirect interest in the Company through its 80% equity interest in Shine Rich Consultants Limited, which entered into a subscription agreement with the Company on 28 January 2016 to subscribe for 1,083,900,000 shares of the Company. Due to unfulfilled conditions precedent, the subscription agreement lapsed on 1 July 2016.
- The percentage of shareholding is calculated on the basis of 2,484,888,729 shares of the Company in issue as at 30 June 2016.

## Other Information

Save as disclosed above, the Company had not been notified of other relevant interest or short positions in the shares and underlying shares of the Company as at 30 June 2016 as required pursuant to section 336 of the SFO.

### **CORPORATE GOVERNANCE**

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016 except for the following deviation with reason as explained.

#### **Responsibilities of Directors**

##### *Code Provision A.6.7*

Pursuant to Code A.6.7, the independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

##### *Deviation*

Two Executive Directors and two Independent Non-executive Directors of the Company were unable to attend the special general meeting of the Company held on 6 January 2016 due to other prior business engagements. Two Executive Directors, one Non-executive Director and two Independent Non-executive Directors of the Company were unable to attend the special general meeting of the Company held on 15 January 2016 due to other prior business engagements. One Independent Non-executive Director of the Company was unable to attend the annual general meeting of the Company held on 1 June 2016 due to other prior business engagements. However, there were at least one Executive Director and one Independent Non-executive Director presented at each meeting to enable the Board to develop a balanced understanding of the views of shareholders of the Company.

## Other Information

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made with the Directors and they have confirmed their compliance with the Own Code and the Model Code during the six months ended 30 June 2016.

### UPDATE ON DIRECTORS' INFORMATION

The following is updated information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Wu Jiang ("Mr. Wu") be retired as Director with effect from the conclusion of the annual general meeting of the Company held on 1 June 2016 (the "AGM") since the re-election of Mr. Wu as Director is not passed at the AGM.

### REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with the management the accounting principles and policies adopted by the Company and the unaudited condensed consolidated results for the six months ended 30 June 2016. The audit committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

On behalf of the Board

**Gao Feng**

*Executive Director and Chairman*

Hong Kong, 30 August 2016