

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

2017

* 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. Xing Wei (*Chairman*)

(*appointed on 8 May 2017*)

Mr. Zhang Jack Jiyei (*Chief Executive Officer
and Chief Financial Officer*)

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 Communications Co. Ltd.

Hong Kong Branch

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

During the first half of 2017, the Group recorded revenue of HK\$176,414,000, representing a significant increase of 161.6% from that of the same period in 2016 (2016: HK\$67,428,000). As a result of turnover rise and better economies of scale in the toys division, the Group achieved gross profit of HK\$24,872,000 for the period (2016: gross loss of HK\$2,393,000). Combined with the substantial reduction of fair value loss in the securities division, the Group reduced its net loss for the first six months by 76.2% to HK\$36,638,000 (2016: loss of HK\$153,656,000). The Group did not record any revenue in the medical and health industry which was still in the preliminary stage.

Toys Division

Revenue of the toys division improved largely by nearly 161.6% year-over-year during the period to HK\$176.4 million, mainly due to that one of its customers developed a successful product series which was well received by the market. The division also recorded a one-off gain of HK\$3.6 million from compensation of a portion of land reclaimed by the government for local development. The one-off gain was however offset by the exchange loss incurred by the RMB appreciation. As better economies of scale was achieved, the toys division turned around the gross loss position in the past and reported gross profit of HK\$24.9 million for the period (2016: gross loss of HK\$2.4 million). Along with the rise in revenue, the selling and distribution expenses, administrative expenses and finance expenses also increased because additional workers, additional funding and more peripheral expenses were required to support higher production and sales. As a result, overall performance of the toy division improved and the segment loss was reduced substantially to HK\$0.1 million (2016: loss of HK\$20.7 million).

Securities Investments

Benefited from the solid economic data and improved investors sentiment, the Hong Kong stock market outperformed most of the overseas markets during the first half of 2017. The Hang Seng Index points rose by 17.11% from 22,000 points as at 31 December 2016 to 25,764 points as at 30 June 2017, reaching the highest and the lowest points of 26,090 and 21,883 respectively. Average daily turnover also increased by 12.6% from HK\$67.5 billion in the first half of 2016 to HK\$76.0 billion in the first half of 2017. For the period ended 30 June 2017, the securities investments division recorded loss on change of fair value of HK\$4.3 million (2016: loss of HK\$119.0 million), which consisted of realised gain of HK\$1.1 million and unrealised loss of HK\$5.4 million. As at 30 June 2017, the Group's securities portfolio was valued at HK\$29.1 million (2016: HK\$133.2 million) on a fair value basis.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Securities Investments (Continued)

Breakdown of the Group's significant investments held as at 30 June 2017

Stock Code	Name	Principal businesses	Market value as at 30/06/2017 <i>HK\$'000</i>	Number of shares held as at 30/06/2017	Percentage held to the total issued share capital of the stock	Gain/(loss) on change of fair value during the period ended 30/06/2017 <i>HK\$'000</i>
928	Life Healthcare Group Ltd. (Previously known as Tack Fiori International Group Ltd.)	Healthcare services in the PRC; money lending business; education software products and related service business in the PRC; apparel retail business in the PRC; and securities trading and investments in Hong Kong	14,072	63,104,000	1.32%	4,354
8316	Pak Wing Group (Holdings) Ltd.	Foundation business in Hong Kong	2,524	1,530,000	0.19%	443
8356	CNC Holdings Ltd.	Provision of waterworks engineering services for public sector in Hong Kong, television broadcasting business in the Asia-Pacific region (excluding PRC) and large outdoor display screen advertisement business in the PRC	10,994	124,930,000	3.08%	(10,119)
	Others		<u>1,534</u>	-	-	<u>974</u>
Total			<u>29,124</u>			<u>(4,348)</u>

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Securities Investments (Continued)

The Group's significant investments held as at 30 June 2017 mainly consists of three stocks, namely: (1) Life Healthcare Group Ltd. (Previously known as Tack Fiori International Group Ltd.) (Stock code: 928) ("LH"); (2) Pak Wing Group (Holdings) Ltd. (Stock code: 8316) ("PW") and (3) CNC Holdings Ltd. (Stock code: 8356) ("CNC"). During the first half of 2017, the share price of LH opened from HK\$0.138 (adjusted), reaching the highest and lowest price of HK\$0.305 and HK\$0.130 (adjusted) respectively and closed at HK\$0.223; the share price of PW opened at HK\$1.36, reaching the highest and lowest price of HK\$2.7 and HK\$0.52 respectively and closed at HK\$1.65; the share price of CNC opened from HK\$ 0.169, reaching the highest and lowest price of HK\$0.174 and HK\$0.070 respectively and closed at HK\$0.088.

During the period, LH completed the rights issue on the basis of one rights share for one right at the subscription price of HK\$0.126 per share. The Group disposed of all its rights and recorded realised gain of HK\$1.1 million.

Despite the positive sentiment on the stock market in the first half, the Group will continue to adopt a prudent strategy and monitor its stock portfolio accordingly.

Medical and Health Division

During the first half of 2017, the Group looked into different investment opportunities in the medical and health industry and completed its initial investment to jointly set up a research and development platform company relating to the application studies of genetically modified bacteria as antitumor drug. Meanwhile, the Group also reviewed its collaboration with its joint venture partner and decided to suspend further investment in the joint venture relating to the Peptide Secretion Technology.

As mentioned on the 2015 and 2016 annual reports, the Group formed the joint venture ("Novotide JV") with Beijing Novotide Biodmedical Technology Company Limited ("Novotide") to engage in the research and development of the Peptide Secretion Technology for malignant tumor treatment. A total of HK\$20.7 million research and development expenses was incurred in 2016 mainly on the studies relating to the Peptide Secretion Technology. During the first half of 2017, the Group continued to discuss with Novotide about the development strategy and investment timetable for the technology as well as the operational management of Novotide JV. As both parties cannot reach agreement over the major issues of the future development of Novotide JV, the Group will suspend further investment in Novotide JV until a satisfactory solution is found.

As a result of the change of collaboration plan with Novotide and the completion of investments in Success Impact Corporation and Hainan Zhongzhi Company Limited, the Group considered it would be necessary to review its existing plan for renovation and engineering upgrade work on the existing plants and facilities at Jiangsu Suzhou Hi-Tech Zone held by Yi Nuo Technology (Suzhou) Company Limited.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Medical and Health Division (Continued)

Completion of investment for 60% equity interest of Success Impact Corporation (“Success Impact”)

In April 2017, the Group set up a joint venture by entering into an agreement to acquire 60% interests in Success Impact which will engage in the setup of a research and development platform relating to the new medical technology against cancer using microbial antitumor drugs. According to the share purchase and shareholders agreement, the Group acquired 60% equity interests at the consideration of RMB4 million (equivalent to HK\$4.5 million), which was in substance compensated for the expenses already incurred by the joint venture partner in research studies of the related technology. The Group will continue to provide financial resources of a total of RMB8 million (equivalent to HK\$9.2 million) in different phases to the joint venture upon meeting the milestones relating to the research studies of the related technology.

Brief introduction of genetically modified bacteria as antitumor drug

Unlike most antitumor drugs which act against all actively dividing cells, resulting in serious or even lethal side effects, targeted therapy that destroys tumor but leaves normal tissues intact is therefore highly desired. For this purpose, research studies have been devoted to developing novel antitumor drugs that are genetically modified bacteria. Specifically, bacteria are designed and genetically engineered so that they can discriminate tumors and normal tissues by sensing tumor-specific microenvironments. The bacteria selectively replicate in solid tumors and kill tumor cells without infecting normal tissues. Safety and antitumor efficacy of the genetically engineered bacteria have been verified in several mouse tumor models when the bacteria were injected intravenously or directly into tumors. Further efforts will be made by the joint venture towards improving their safety and antitumor efficacy by further genetic engineering and assessing their performance in more tumor models.

Completion of acquisition of 100% equity interest of Hainan Zhongzhi Company Limited (“Hainan Zhongzhi”)

In April and May 2017, the Group announced that it had acquired 60% and 40% equity interests of Hainan Zhongzhi at the consideration of RMB30 million and RMB20 million respectively. The main asset of Hainan Zhongzhi is two adjacent parcels of land of site area of approximately 50,997.08 square meters and 37,345.13 square meters respectively. Both of which are located at Haikou City of Hainan Province and are permitted for storage use. It is understood that an application for change of permitted use to medical establishment has been made. The acquisition will allow the Group to increase its land reserve for future business development and the land is intended to be used for collaboration with its medical and health business. The acquisition has been completed in May 2017.

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30 June 2017, the Group had current assets of HK\$490,405,000 (31 December 2016: HK\$286,487,000) comprising cash and cash equivalents of HK\$147,569,000 (31 December 2016: HK\$78,497,000) (excluding pledged bank deposits). The Group's current ratio, calculated as current assets divided by current liabilities of HK\$300,108,000 (31 December 2016: HK\$203,894,000), remained at a healthy ratio of 1.63 (31 December 2016: 1.41). At the period end, the Group's trading securities amounted to HK\$29,124,000, representing a decrease of 15.8% from that of the previous year end (31 December 2016: HK\$34,595,000). The Group's borrowings at 30 June 2017 were mainly denominated in Hong Kong dollars and Renminbi in the proportion of 87% and 13% (31 December 2016: 84% and 16%) respectively. Apart from borrowings of HK\$45,000,000 (31 December 2016: HK\$45,000,000) which would mature within a period of more than one year but not exceeding two years, borrowings totalling HK\$168,705,000 (31 December 2016: HK\$119,569,000) would be matured within one year and bore fixed interest rate (31 December 2016: 100%).

As of 30 June 2017, the equity attributable to owners of the Company increased by 37% to HK\$349,401,000 (31 December 2016: HK\$255,564,000) mainly as a result of the loss incurred during the period and the issue of new shares 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 2017 was approximately 34% (31 December 2016: 39%).

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

Issue of new shares under specific mandate

On 21 April 2017, the Company completed the issue of new shares of 680,000,000 subscription shares, representing 18.57% of total issued shares of the Company immediately after completion at the subscription price of HK\$0.18 per subscription share. Out of the net proceeds of approximately HK\$122.4 million raised from the issue of new shares, total amount of RMB50 million (approximately HK\$57.5 million) has been used for acquisition of 100% of Hainan Zhongzhi which owned two parcels of land in Haikou City, Hainan Province. The Group also invested RMB4 million (approximately HK\$4.6 million) for 60% interests in Success Impact which is engaged in research and development of new biomedical drugs against cancer. The remaining proceeds will be used in the existing business, new business opportunities development and as general operating expenses of the Group.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group were 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 were 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 would enter into various financial derivative instruments in order to mitigate foreign exchange rate exposure. In light of the above, it was considered that the Group's exposure to foreign exchange risks was not significant.

Charge on Assets

At 30 June 2017, the Group's certain leasehold buildings and prepaid land premium in Mainland China with aggregate carrying amount of HK\$98,433,000 (31 December 2016: HK\$100,398,000), and bank deposits of HK\$10,312,000 (31 December 2016: 2,570,000) were pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

At 30 June 2017, the Group had no significant contingent liability (31 December 2016: nil).

Capital Commitments

Details of the capital commitments are provided in Note 18 of the Notes to the Condensed Consolidated Interim Financial Statements of this report.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had a total of approximately 3,200 (30 June 2016: 2,298) employees, including directors, in Hong Kong and Mainland China. The Group's total staff costs, including directors' remuneration, and value of share options granted to directors and other employees, increased by 32.1% to HK\$82,645,000 (2016: HK\$62,560,000). Remuneration packages for employees and directors were structured by reference to market terms, individual performance and experience. Benefit plans maintained by the Group included provident fund scheme, pension scheme, medical insurance, discretionary bonuses and share options. The Group also provided subsidies to staff for external training.

Management Discussion and Analysis

PROSPECTS

The Group expect the positive performance of its toy division will maintain in the second half, along with the increased orders relating to the popular products manufactured by the Group. But the overall profit margin will continue to be impacted by adverse factors such as high material price, rising RMB and shortage of skilled workers. In order to enhance production efficiency and simplify departmental collaboration, the toys division will also invest in production automation facilities and plan to purchase an ERP system so to improve overall competitiveness.

On the other hand, the Group will review its existing investments in the medical and health division and formulate collaboration plan to fully utilise the available plant and facilities. Upon completion of investment in Success Impact in April, application has been approved to set up an investment vehicle company in the PRC to conduct research and development studies. A patent agent is also engaged for assisting the joint venture to apply for the patent relating to the microbial antitumor technology. In view of the vast potential in the medical and health sector, the Group will continue to look at different investment opportunities in the medical and health industry, especially on the bio medical areas.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	176,414	67,428
Cost of sales		(151,542)	(69,821)
Gross profit (loss)		24,872	(2,393)
Other income and gain	5	5,647	5,494
Selling and distribution costs		(2,182)	(1,936)
Administrative expenses		(50,776)	(32,860)
Changes in fair value of trading securities		(4,348)	(119,011)
Other operating expenses		(3,680)	(16)
Finance costs		(5,761)	(2,934)
Loss before taxation	6	(36,228)	(153,656)
Income tax expense	7	(410)	–
Loss for the period		(36,638)	(153,656)
Loss per share			
Basic and diluted	8	(HK1.13 cents)	(HK6.18 cents)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Loss for the period	(36,638)	(153,656)
Other comprehensive income (loss) for the period		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	8,075	(1,614)
Other comprehensive income (loss) for the period, net of tax	8,075	(1,614)
Total comprehensive loss for the period	(28,563)	(155,270)

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	Notes	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	113,041	110,530
Prepaid land premiums		3,944	4,246
Investment properties	11	95,311	37,631
Deposits paid for purchases of property, plant and equipment		–	12,500
Deposit paid for construction of properties		–	61,151
		212,296	226,058
Current assets			
Trading securities		29,124	34,595
Inventories		72,953	41,566
Prepaid land premiums		143	152
Trade receivables	12	77,658	29,311
Loan receivables	13	16,100	48,403
Prepayments, deposits and other receivables		73,520	51,393
Deposits paid for construction of properties		63,026	–
Pledged bank deposits		10,312	2,570
Cash and cash equivalents		147,569	78,497
		490,405	286,487
Current liabilities			
Trade and bills payables	14	80,672	51,187
Other payables and accruals		46,586	28,256
Borrowings	15	168,705	119,569
Tax payables		4,145	4,882
		300,108	203,894
Net current assets		190,297	82,593
Total assets less current liabilities		402,593	308,651

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	<i>Note</i>	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Non-current liability			
Borrowings		45,000	45,000
Deferred tax liabilities		8,192	8,087
		53,192	53,087
Net assets		349,401	255,564
Capital and reserves			
Equity			
Share capital	16	366,186	298,186
Reserves		(16,785)	(42,622)
Total equity		349,401	255,564

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Issued share capital HK\$'000	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve fund HK\$'000 (Note)	Share options reserve HK\$'000	Warrant reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 January 2017 (audited)	298,186	888,000	44,532	9,385	66,953	30,264	16,187	(1,097,943)	255,564
Loss for the period	-	-	-	-	-	-	-	(36,638)	(36,638)
Other comprehensive income (loss)	-	-	-	-	-	-	8,075	-	8,075
Total comprehensive income (loss) for the period	-	-	-	-	-	-	8,075	(36,638)	(28,563)
Issue of shares	68,000	54,400	-	-	-	-	-	-	122,400
Expiration of warrants	-	-	-	-	-	(30,264)	-	30,264	-
At 30 June 2017 (unaudited)	366,186	942,400	44,532	9,385	66,953	-	24,262	(1,104,317)	349,401
At 1 January 2016 (audited)	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)
At 30 June 2016 (unaudited)	248,489	858,182	47,821	8,745	66,953	30,264	28,662	(1,025,225)	263,891

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 2017

	Six months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Net cash used in operating activities	(71,906)	(52,887)
Net cash used in investing activities		
Acquisition of investment properties	(55,555)	–
Receipt of loan receivables	40,103	897
Advance of loan receivables	(7,800)	–
(Increase) decrease in pledged bank deposits	(7,742)	12,145
Refundable deposits paid	–	(29,549)
Other investing cash flows	(3,923)	(1,551)
	(34,917)	(18,058)
Net cash from financing activities		
Proceeds from issue of shares	122,400	–
Proceeds from borrowings	203,441	184,962
Repayment of borrowings	(154,305)	(158,681)
Proceeds from issue of warrants, net	–	30,264
	171,536	56,545
Net increase (decrease) in cash and cash equivalents	64,713	(14,400)
Cash and cash equivalents at 1 January	78,497	26,005
Effect of foreign exchange rates changes	4,359	(1,295)
Cash and cash equivalents at 30 June	147,569	10,310
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	147,569	10,310

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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 2017 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 2016, 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 2016.

The measurement basis used in the preparation of these condensed consolidated 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 2017

3. APPLICATION OF AMENDMENTS TO 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 amendments to 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:

	Six months ended 30 June	
	2017	2016
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Revenue		
Sale of goods	176,414	67,428

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 three 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.
3. Medical and health: this segment is under research stage in which research and development expenses for the medical and health technology development have been incurred.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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 deposit paid for construction of properties, deposits paid for purchase of property, plant and equipment, certain property, plant and equipment, loan receivables, certain prepayments, deposits and other receivables and certain cash and cash equivalents, which are grouped as unallocated corporate assets.

All liabilities are allocated to reportable segments other than certain other payables and 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 2017

4. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

For the periods ended 30 June 2017 and 2016

	Securities investments		Manufacturing and trading of toys		Medical and health		Total	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Reportable segment revenue								
Revenue from external customers	-	-	176,414	67,428	-	-	176,414	67,428
Reportable segment (loss) profit before taxation	(5,499)	(119,231)	(98)	(20,696)	(4,507)	-	(10,104)	(139,927)
Unallocated corporate income							3,096	3,829
Unallocated corporate expenses							(29,220)	(17,558)
Loss before taxation							(36,228)	(153,656)
Other segment information (included in the measure of segment profit or loss or regularly provided to chief operating decision maker)								
Depreciation of property, plant and equipment	-	-	(4,033)	(4,246)	-	-	(4,033)	(4,246)
Amortisation of prepaid land premiums	-	-	(75)	(75)	-	-	(75)	(75)
Write down of inventories, net	-	-	(1,175)	(3,603)	-	-	(1,175)	(3,603)
Gain/(loss) on disposal of property, plant and equipment, net	-	-	3,304	(14)	-	-	3,304	(14)
Research and development expenses	-	-	-	-	(4,507)	-	(4,507)	-
Changes in fair value of trading Securities	(4,348)	(119,011)	-	-	-	-	(4,348)	(119,011)
Bank interest income	-	-	23	297	-	-	23	297
Interest expense	-	-	(4,415)	(2,934)	-	-	(4,415)	(2,934)
Addition to non-current assets								
Property, plant and equipment	-	-	4,781	1,465	-	-	4,781	1,465

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

4. SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment, assets and liabilities

As at 30 June 2017

	Securities investments HK\$'000	Manufacturing and trading of toys HK\$'000	Medical and health HK\$'000	Total HK\$'000
Reportable segment assets	60,067	305,957	–	366,024
Unallocated corporate assets	–	–	–	336,677
Total assets				702,701
Reportable segment liabilities	–	(296,375)	–	(296,375)
Unallocated corporate liabilities				(56,925)
Total liabilities				(353,300)

As at 31 December 2016

	Securities investments HK\$'000	Manufacturing and trading of toys HK\$'000	Medical and health HK\$'000	Total HK\$'000
Reportable segment assets	34,635	203,974	–	238,609
Unallocated corporate assets	–	–	–	273,936
Total assets				512,545
Reportable segment liabilities	–	(198,154)	–	(198,154)
Unallocated corporate liabilities				(58,827)
Total liabilities				(256,981)

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 2017

5. OTHER INCOME AND GAIN

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Bank interest income	69	299
Other interest income	1,929	3,827
Change in fair value of investment properties	637	–
Rental income	1,437	–
Mould income	1,044	658
Sundry income	531	710
	5,647	5,494

6. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	75,323	54,779
Other employee benefits	1,530	1,766
Contributions to defined contribution retirement plans	5,792	6,015
	82,645	62,560
Cost of inventories	137,229	65,217
Depreciation of property, plant and equipment	4,483	4,629
Amortisation of prepaid land premiums	75	75
(Gain)/loss on disposal of property, plant and equipment	(3,304)	27
Write down of inventories, net	1,175	3,603
Interest on borrowings	5,761	2,934

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")	305	–
Deferred taxation		
Current period	105	–
	410	–

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%.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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:

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	(36,638)	(153,656)
	'000	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	3,248,605	2,484,889

The computation of diluted loss per share for the six months periods ended 30 June 2017 and 2016 does not assume the exercise of share options granted by the Company since such assumed exercise would be anti-dilutive.

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\$6,867,000 (six months ended 30 June 2016: HK\$1,557,000). The Group disposed of machinery and equipment with carrying amounts totalling approximately HK\$360,000 (six months ended 30 June 2016: HK\$33,000).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

11. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 January 2017	37,631
Additions	55,555
Changes in fair value recognised in profit or loss	637
Exchange realignment	1,508
	<hr/>
At 30 June 2017	95,331
	<hr/>
Unrealised gain on property revaluation included in profit or loss	637
	<hr/>

During the current interim period, the Group acquired investment properties located at Haikou City of Hainan Province for a cash consideration of HK\$55,555,000. The investment properties located at Haikou City as at the end of the current interim period were fair valued by the directors, with the use of direct comparison approach. Valuation made based on the assumption that the properties sell in the market in existing state.

The investment properties located at Suzhou as at the end of the current interim period were also fair valued by the directors. Inputs of the valuation take into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property.

The resulting increase in fair value of investment properties of HK\$637,000 has been recognised directly in profit or loss for the six months ended 30 June 2017 (30 June 2016: Nil).

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes and land held for undetermined future use, which is regarded as held for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

12. 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:

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
0 to 30 days	49,299	15,813
31 to 90 days	25,800	13,028
Over 90 days	2,559	470
	77,658	29,311

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.

13. LOAN RECEIVABLES

The loan receivables carry interest at a fixed rate range from 8% to 15% (31 December 2016: 8%) per annum and are repayable within one year. At the end of the reporting period, the HK\$328,000 (31 December 2016: HK\$ 35,030,000) loan receivables were past due but not impaired. Subsequent to 30 June 2017, the past due loan receivables were fully settled.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

14. TRADE AND BILLS PAYABLES

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

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
0 to 30 days	47,373	19,701
31 to 90 days	24,795	18,356
Over 90 days	8,504	13,130
	80,672	51,187

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

15. BORROWINGS

During the current interim period, the Group obtained new borrowings amounting to HK\$203,441,000 (six months ended 30 June 2016: HK\$184,962,000) and repaid borrowings amounting to HK\$154,305,000 (six months ended 30 June 2016: HK\$158,681,000). The borrowings carry fixed interest at market rates ranged from 2.5% to 10% per annum (six months ended 30 June 2016: 3.2% to 10.0% per annum) and are repayable within one year.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

16. SHARE CAPITAL

	Number of shares		Amount	
	2017 '000	2016 '000	2017 HK\$'000	2016 HK\$'000
Authorised:				
At 30 June				
ordinary shares of HK\$0.10 each	7,000,000	7,000,000	7,000,000	700,000
Issued and fully paid:				
At 1 January	2,981,865	2,484,889	298,186	248,489
Issue of ordinary shares	680,000	–	68,000	–
At 30 June	3,661,865	2,484,889	366,186	248,489

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. The warrants were classified as equity instruments. Upon the maturity date of the warrants on 29 January 2017, all the warrants remained unexercised were lapsed.

On 14 December 2016, the Company entered into a subscription agreement with a subscriber to issue 680,000,000 new ordinary shares of HK\$0.1 each at a price of HK\$0.18 per share. The subscription was completed on 21 April 2017. These new shares were issued under the special mandate granted at the special meeting of the Company held on 13 February 2017 and rank pari passu with other shares in all respects.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

17. EQUITY-SETTLED SHARE-BASED PAYMENTS

The Company's new 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, advisors 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:

	Number of share options
	<i>'000</i>
At 1 January 2017 and 30 June 2017	<u>287,920</u>

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

Name of grant	Date of grant	Exercise period	Exercise price HK\$ per share	Share closing price immediately before grant date HK\$ per share
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 2017

17. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

The movement of share options during the six months period ended 30 June 2017 is presented as follows:

		At 1 January 2017 '000	Reclassified during the period '000	At 30 June 2017 '000
Executive directors				
Mr. Xing Wei (<i>Note b</i>)	2015 Grant	–	10,000	10,000
Mr. Zhang Jack Jiyei	2014 Grant	16,800	–	16,800
	2015 Grant	3,400	–	3,400
		<u>20,200</u>	<u>10,000</u>	<u>30,200</u>
Independent non-executive director				
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	–	7,000
	2015 Grant	34,200	–	34,200
Other participants	2014 Grant	80,000	–	80,000
	2015 Grant	144,700	(10,000)	134,700
		<u>287,920</u>	<u>–</u>	<u>287,920</u>

Notes:

- (a) There were no share options granted, exercised, lapsed or cancelled during the period.
- (b) Mr. Xing Wei be appointed as the director of the Company on 8 May 2017.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

17. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

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

	Name of grant	At 1 January 2016 '000	Reclassified during the period '000	At 30 June 2016 '000
Executive directors				
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 (Note 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>
Independent non-executive director				
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
Total		<u>308,120</u>	<u>–</u>	<u>308,120</u>

Notes:

- (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 2017

18. COMMITMENTS**(a) Acquisition of property, plant and equipment**

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Capital expenditure in respect of the construction of properties contracted for but not provided in the condensed consolidated financial statements	56,232	56,232
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	–	12,500

19. 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:

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Salaries, allowances and other benefits in kind	5,662	7,107
Retirement scheme contributions	12	60
	5,674	7,167

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
30 June 2017				
Financial assets at fair value through profit or loss				
– Trading securities	29,124	–	–	29,124
31 December 2016				
Financial assets at fair value through profit or loss				
– Trading securities	34,595	–	–	34,595

During the six months ended 30 June 2017, there were no transfers between Level 1 and 2, or transfers into or out of Level 3 (six months ended 30 June 2016: nil).

Other Information

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2017 (30 June 2016: nil).

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

As at 30 June 2017, 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. Xing Wei	Beneficial owner	10,000,000	–	10,000,000	0.27%
Mr. Zhang Jack Jiyei ("Mr. Zhang")	Beneficial owner Interest of controlled corporation	20,200,000 –	– 651,995,472	20,200,000 651,995,472 (Note 1)	0.55% 17.81%
Mr. Li Fang	Beneficial owner	1,820,000	–	1,820,000	0.05%

Notes:

- 651,995,472 shares were held by Right Perfect Limited, which was a wholly-owned subsidiary of Brilliant Vision Global Limited ("BVG"). BVG was owned as to 50% by each of Mr. Zhang, an Executive Director of the Company, and Mr. Gao Feng. Accordingly, Mr. Zhang, Mr. Gao Feng and BVG were deemed to be interested in 651,995,472 shares of the Company under the SFO.
- The percentage of shareholding is calculated on the basis of 3,661,864,729 shares of the Company in issue as at 30 June 2017.

Other Information

Save as disclosed above and in the “EQUITY-SETTLED SHARE-BASED PAYMENTS” disclosure in note 17 to the condensed consolidated financial statements, as at 30 June 2017, 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 17 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 17 to the condensed consolidated financial statements, at no time during the six months ended 30 June 2017 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 2017, 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 <i>(Note 5)</i>
Mr. Zhang Jack Jiyei ("Mr. Zhang")	Interest of controlled corporation	651,995,472 <i>(Note 1)</i>	17.81%
Mr. Gao Feng ("Mr. Gao")	Interest of controlled corporation	651,995,472 <i>(Note 1)</i>	17.81%
China Strategic Holdings Limited ("CSH")	Interest of controlled corporation	651,995,472 <i>(Note 2)</i>	17.81%
Ms. Zhang Yuqin ("Ms. Zhang")	Interest of controlled corporation	500,000,000 <i>(Note 3)</i>	13.65%
Mr. Ji Xiang ("Mr. Ji")	Interest of controlled corporation	496,976,000 <i>(Note 4)</i>	13.57%

Notes:

- 651,995,472 shares were held by Right Perfect Limited, which was a wholly-owned subsidiary of Brilliant Vision Global Limited ("BVG"). BVG was owned as to 50% by each of Mr. Zhang, an Executive Director of the Company, and Mr. Gao. Accordingly, Mr. Zhang, Mr. Gao and BVG were deemed to be interested in 651,995,472 shares of the Company under the SFO.
- 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.
- 500,000,000 shares were held by Lasting Wealth Enterprises Holdings Limited, which was owned as to 100% by Ms. Zhang. Accordingly, Ms. Zhang was deemed to be interested in 500,000,000 shares of the Company under the SFO.
- 496,976,000 shares were held by Excel Jade Limited, which was owned as to 100% by Mr. Ji. Accordingly, Mr. Ji was deemed to be interested in 496,976,000 shares of the Company under the SFO.
- The percentage of shareholding is calculated on the basis of 3,661,864,729 shares of the Company in issue as at 30 June 2017.

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 2017 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 2017 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

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 13 February 2017 due to other prior business engagements. One Executive Director and One Independent Non-executive Director of the Company were unable to attend the annual general meeting of the Company held on 1 June 2017 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 2017.

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. Xing Wei be appointed as an Executive Director and Chairman of the Company with effect from 8 May 2017.

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 2017. 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 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

On behalf of the Board

Xing Wei

Executive Director and Chairman

Hong Kong, 28 August 2017