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 2018

* For identification purpose only

Contents

Corporate Information	3
Management Discussion and Analysis	4
Condensed Consolidated Statement of Profit or Loss	12
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Condensed Consolidated Statement of Financial Position	14
Condensed Consolidated Statement of Changes in Equity	16
Condensed Consolidated Statement of Cash Flows	17
Notes to the Condensed Consolidated Interim Financial Statements	18
Other Information	38

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)*
Mr. Wei Guo *(Chief Executive Officer)*

Non-executive Director

Mr. Lin Shaopeng

Independent Non-executive Directors

Mr. Li Fang
Mr. Lau Shun Pong Johnson
Mr. Lai Ming Wai

AUDIT COMMITTEE

Mr. Li Fang *(Chairman)*
Mr. Lau Shun Pong Johnson
Mr. Lai Ming Wai

REMUNERATION COMMITTEE

Mr. Lau Shun Pong Johnson *(Chairman)*
Mr. Li Fang
Mr. Lai Ming Wai

NOMINATION COMMITTEE

Mr. Li Fang *(Chairman)*
Mr. Lau Shun Pong Johnson
Mr. Lai Ming Wai

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

BUSINESS REVIEW

Continued to benefit from a popular product series in the toys division, the Group reported an increase of revenue for the first half of 2018 to HK$286,297,000 from that of HK$176,414,000 for the first half of 2017. Gross profit rose accordingly to HK$31,382,000 from that of HK$24,872,000. Loss before taxation was reduced by 67% over the same period of 2017 (2017: Loss of HK$36,228,000) to HK$11,971,000. Performance of the securities investments division also improved and recorded segment profit of HK$3,668,000 (2017: Loss of HK$5,499,000). The Group did not record any revenue in the medical and health industry which was still in the research and development stage.

Toys Division

The toys division continued to improve performance and its turnover for the first half of 2018 recorded year-over-year increase of 62% to HK$286,297,000, as a result of a popular product series successfully developed by its customers. Due to rise of raw material cost and shortage in skilled workers, its gross profit only climbed 26% to HK$31,382,000 from the corresponding period of 2017 of HK$24,872,000. And as the turnover increased, additional staff and overtime and other peripheral expenses also grew accordingly. Benefited from a reduction in the finance expense, the toys division turned around and recorded a segment profit of HK$4,623,000 (2017: Segment loss of HK$98,000).

Securities investments

Affected by the escalating China US trade tensions, deleveraging and tightening measures in China and potential US interest rate hikes, investors became more bearish and cautious amid the volatile stock market in the first half. The Hang Seng Index points dropped by 3.2% from 29,919 points as at 31 December 2017 to 28,955 points as at 30 June 2018, reaching the highest and the lowest points of 33,484 and 28,169 respectively. Average daily turnover further increased by 66.5% from HK$76 billion in the first half of 2017 to HK$126.6 billion in the first half of 2018. For the period ended 30 June 2018, the securities investments division reported segment profit of HK$3,668,000 (2017: loss of HK$5,499,000). As at 30 June 2018, the Group's securities portfolio was valued at HK$31,248,000 (2017: HK$27,579,000) on a fair value basis.

BUSINESS REVIEW (Continued)

Securities investments (Continued)

Breakdown of the Group's significant investments held as at 30 June 2018

Stock Code	Name	Principal businesses	Market value as at 30/06/2018 *HK$'000*	Number of shares held as at 30/06/2018	Percentage held to the total issued share capital of the stock	Gain/(loss) on change of fair value during the period ended 30/06/2018 *HK$'000*
928	Life Healthcare Group Ltd. (Previously known as Tack Fiori International Group Ltd.)	Healthcare services in the PRC; money lending business; apparel retail business in the PRC; and securities trading and investments in Hong Kong	17,985	63,104,000	1.19%	1,262
8316	Pak Wing Group (Holdings) Ltd.	Foundation business in Hong Kong	1,912	1,530,000	0.19%	(765)
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	9,370	124,930,000	3.08%	2,874
	Others		1,981	–	–	298
Total			31,248			3,669

BUSINESS REVIEW (Continued)

Securities investments (Continued)

The Group's significant investments held as at 30 June 2018 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 2018, the share price of LH opened from HK$0.265, reaching the highest and lowest price of HK$0.33 and HK$0.18 respectively and closed at HK$0.285; the share price of PW opened from HK$1.75, reaching the highest and lowest price of HK$2.79 and HK$0.83 respectively and closed at HK$1.25; the share price of CNC opened from HK$0.052, reaching the highest and lowest price of HK$0.115 and HK$0.045 respectively and closed at HK$0.075.

The Group will continue to adopt a prudent strategy in its portfolio management as the stock market is expected to become more volatile in the second half year.

Medical and Health Division

During the first half of 2018, the Group continued to carry out research and development studies on the pre-clinical research project about the studies of genetically engineered bacteria for targeted cancer therapy ("Project GEB").

Previously the project team have generated the first-generation anti-cancer bacteria and evaluated the safety and efficacy of the bacteria in vitro and in various murine tumor models, confirming that the first-generation anti-cancer bacteria were capable of repressing the growth of a wide range of common cancers and improving survival of cancer-carrying mice. Based on these achievements, the project team generated 13 candidates of the second-generation anti-cancer bacteria by designing new anti-cancer strategies and genetically engineered the bacteria accordingly. The new anti-cancer strategies included direct tumor killing mechanisms, indirect tumor killing via anticancer immune responses, and nutrient exhaustion within tumors. After in vitro and in vivo assessments of the newly generated anti-cancer bacteria were performed, it was discovered that 4 of the 13 second-generation anti-cancer bacteria were superior to the first-generation of bacteria in terms of anticancer efficacy. Given the novelty of these findings, the project team requested a professional patent agency to file a PCT patent application for the 4 newly discovered anti-cancer strategies.

During the period, a total of approximately HK$856,000 research and development expenses were incurred in the medical and health division. The division did not record any income as the studies were still at the preliminary stage.

In the second half year, more studies will place on improving the efficacy of the anti-cancer bacteria by employing new therapeutic strategies and combining multiple anti-cancer mechanisms. In addition, attempts will also be made towards evaluating the role of the anti-cancer bacteria as vaccines preventing cancer relapse. Meanwhile, a genetic engineering platform has also been set up so as to speed up the progress of the Project GEB.

BUSINESS REVIEW (Continued)

Medical and Health Division (Continued)

Completion of disposal of 100% equity interest in Bright Triumph Development Ltd. ("Bright Triumph")

The Company announced on 28 December 2017 that it entered into sale and purchase agreement to conditionally sell the entire share capital of Bright Triumph Development Ltd. ("Bright Triumph") at a consideration of HK$142,000,000. The principal assets of Bright Triumph, held through its indirect subsidiary Yi Nuo Technology (Suzhou) Company Ltd. included mainly land and buildings at Jiangsu Suzhou, and deposits paid for construction of properties. The Group has received HK$28,400,000, being 20% of the consideration in March 2018 already. On the special general meeting held on 26 June 2018, the shareholders of the Company approved the transaction. The transaction is completed in August 2018 and the Group will receive a total of HK$56,800,000 in September in accordance with the sale and purchase agreement. The Group will also receive the remaining consideration in two instalments of HK$28,400,000 each payable within 3 months and 6 months upon completion respectively.

The disposal can provide the Group more funding and flexibility to develop the existing business and to look for other new opportunities and explore potential developments of the company land held in Hainan Province.

UPDATE ON USE OF PROCEEDS OF FUND RAISING ACTIVITIVES OF THE COMPANY

In April 2017, the Company completed the issue of new shares under specific mandate of 680,000,000 subscription shares, representing 18.57% of total issued shares of the Company immediately after completion of the issue of new shares. The new shares are issued at the subscription price of HK$0.18 per subscription share and the gross proceeds and net proceeds raised from the issue of new shares are approximately HK$122,400,000 and HK$121,600,000 respectively.

An analysis of the use of net proceeds up to 30 June 2018 is set out below:

	Intended use of net proceeds	**Actual use of net proceeds up to 31 December 2017**	**Actual use of net proceeds for the six months ended 30 June 2018**	**Unutilised amount of net proceeds up to 30 June 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Possible investment in new projects	56,600	56,600	–	–
Money lending business	30,000	7,800	16,000	6,200 *(Note)*
General operating expenses	25,000	20,000	5,000	–
Development of existing business	10,000	4,600	5,400	–
Total	121,600	89,000	26,400	6,200

Note:

The Group intends to use up the remaining fund by 31 December 2019.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30 June 2018, the Group had current assets of HK$598,907,000 (31 December 2017: HK$458,332,000) comprising cash and cash equivalents of HK$101,592,000 (31 December 2017: HK$131,523,000) (excluding pledged bank deposits). The Group's current ratio, calculated as current assets divided by current liabilities of HK$459,063,000 (31 December 2017: HK$410,624,000), remained at healthy ratio of 1.30 (31 December 2017: 1.12). At the period end, the Group's trading securities amounted to HK$31,248,000, representing an increase of 13.3% from that of the previous year end (31 December 2017: HK$27,579,000). The Group's borrowings at 30 June 2018 were mainly denominated in Hong Kong dollars and Renminbi in the proportion of 94.5% and 5.5% (31 December 2017: 85% and 15%) respectively. All borrowings totaling HK$192,558,000 (31 December 2017: HK$184,662,000) would be matured within one year and bore fixed interest rate (31 December 2017: 100%).

As of 30 June 2018, the equity attributable to owners of the Company decreased by 4.8% to HK$317,229,000 (31 December 2017: HK$333,168,000) mainly as a result of the loss incurred during the period. 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 2018 was approximately 51.1% (31 December 2017: 43%).

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.

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 2018, the Group's certain leasehold buildings and prepaid land premium in Mainland China with aggregate carrying amount of HK$105,105,000 (31 December 2017: HK$107,016,000), and bank deposits of HK$10,675,000 (31 December 2017: HK21,474,000) were pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

A subsidiary of the Company is a defendant in a legal action in Hong Kong involving the alleged claim of commission income by a consultant in relation to an investment project of the Group in the past. The claim above against the subsidiary is approximately US$1,375,000 (equivalent to approximately HK$10,725,000) in aggregate. The directors believe, based on legal advice, that the case has a good arguable defence and therefore it is not probable that losses will be incurred. As a result, no provision has been made at the end of the reporting period in this regard. (31 December 2017: nil)

Capital Commitments

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had a total of approximately 3,900 (30 June 2017: 3,200) 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 16.6% to HK$96,388,000 (2017: HK$82,645,000). 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.

PROSPECTS

Performance of the toys division remains positive in the third quarter, but has been undermined by the increasing cost of production such as rising packing material cost and the increased minimum wage in Zhongshan City. Although RMB continues to weaken in July and August, the economic benefit enjoyed by the toys division is limited as it has entered into currency forward contract to partially hedge its RMB exposure. With no resolution to trade war in sight, the customers become more cautious in placing orders. It is expected that the business environment will become more challenging in the second half year. The toys division will continue to invest in production automation equipment so to increase efficiency and reduce the rising cost pressure. On the securities investments division, the Group will adopt a cautious approach in managing its investment portfolio while it will carry on the research and development studies on the Project GEB in its medical and health division.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**286,297**	176,414
Cost of sales		**(254,915)**	(151,542)
Gross loss		**31,382**	24,872
Other income and gain	*5*	**3,465**	5,647
Selling and distribution costs		**(3,905)**	(2,182)
Administrative expenses		**(31,013)**	(50,776)
Changes in fair value of financial assets		**3,669**	(4,348)
Other operating expenses		**(10,351)**	(3,680)
Finance costs		**(5,218)**	(5,761)
Loss before taxation	*6*	**(11,971)**	(36,228)
Income tax expense	*7*	**(630)**	(410)
Loss for the period		**(12,601)**	(36,638)
Attributable to:			
Owners of the Company		**(12,601)**	(36,638)
Non-controlling interests		**–**	–
		(12,601)	(36,638)
Loss per share			
Basic and diluted	*8*	**(HK0.34 cents)**	(HK1.13 cents)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(12,601)**	(36,638)
Other comprehensive loss for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(3,338)**	8,075
Other comprehensive loss for the period, net of tax	**(3,338)**	8,075
Total comprehensive loss for the period	**(15,939)**	(28,563)

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*10*	**122,983**	123,283
Prepaid land premiums		**3,801**	3,873
Investment properties	*11*	**59,661**	101,926
Deposits paid for construction of properties		**–**	65,438
		186,445	294,520
Current assets			
Financial asset at fair value through profit or loss		**31,248**	27,579
Inventories		**129,890**	83,987
Prepaid land premiums		**143**	143
Trade receivables	*12*	**116,189**	114,700
Loan receivables	*13*	**32,159**	16,159
Prepayments, deposits and other receivables		**24,235**	62,767
Pledged bank deposits		**10,675**	21,474
Cash and cash equivalents		**101,592**	131,523
		446,131	458,332
Assets classified as held for sale		**152,776**	–
		598,907	458,332
Current liabilities			
Trade and bills payables	*14*	**197,719**	171,375
Other payables and accruals		**52,792**	44,908
Borrowings	*15*	**192,558**	184,662
Tax payables		**9,141**	9,679
		452,210	410,624
Liabilities classified as held for sale		**6,853**	–
		459,063	410,624
Net current assets		**139,844**	47,708
Total assets less current liabilities		**326,289**	342,228

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Non-current liability			
Deferred tax liabilities		**9,060**	9,060
		9,060	9,060
Net assets		**317,229**	333,168
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	*16*	**366,186**	366,186
Reserves		**(48,957)**	(33,018)
Total equity		**317,229**	333,168

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	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 2018	366,186	942,400	52,886	10,230	58,693	–	39,234	(1,136,461)	333,168
Loss for the period	–	–	–	–	–	–	–	(12,601)	(12,601)
Other comprehensive loss	–	–	–	–	–	–	(3,338)	–	(3,338)
Total comprehensive loss for the period	–	–	–	–	–	–	(3,338)	(12,601)	(15,939)
Share options lapsed *(note 17)*	–	–	–	–	(5,101)	–	–	5,101	–
At 30 June 2018	366,186	942,400	52,886	10,230	53,592	–	35,896	(1,143,961)	317,229
At 1 January 2017	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 loss	–	–	–	–	–	–	8,075	–	8,075
Total comprehensive loss for the period	–	–	–	–	–	–	8,075	(36,638)	(28,563)
Issue of share	68,000	54,400	–	–	–	–	–	–	122,400
Derecognition of warrants	–	–	–	–	–	(30,264)	–	30,264	–
At 30 June 2017	366,186	942,400	44,532	9,385	66,953	–	24,262	(1,104,317)	349,401

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 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(51,230)**	(71,906)
Net cash used in investing activities		
Acquisition of investment properties	**–**	(55,555)
Receipt of loan receivables	**–**	40,103
Advance of loan receivables	**(16,000)**	(7,800)
Decrease (increase) in pledged bank deposits	**10,799**	(7,742)
Deposit received	**26,908**	–
Other investing cash flows	**(4,674)**	(3,923)
	17,033	(34,917)
Net cash from financing activities		
Proceeds from issue of shares	**–**	122,400
Proceeds from borrowings	**253,914**	203,441
Repayment of borrowings	**(245,842)**	(154,305)
	8,072	171,536
Net decrease in cash and cash equivalents	**(26,125)**	64,713
Cash and cash equivalents at 1 January	**131,523**	78,497
Effect of foreign exchange rates changes	**(3,806)**	4,359
Cash and cash equivalents at 30 June	**101,592**	147,569
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	**101,592**	147,569

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, securities investments and medical and health. 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 2018 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 2017, 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 2017.

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.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new standards, amendments and interpretations to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period. Details of the changes in accounting policies for HKFRS 9, HKFRS 15 and HK(IFRIC) 22 are discussed in note 3(a), 3(b) and 3(c) respectively.

Upon initial application of the above new standards, amendments and interpretations, there is no significant impact to the Group's financial statements and accordingly no adjustment to the opening balance of equity at 1 January 2018 and no restatement to the comparative information are required.

(a) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity financial assets held by the Group are classified into one of the following measurement categories:

- amortised cost, if the financial asset is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the financial asset is calculated using the effective interest method;

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9, Financial instruments (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

- FVOCI – recycling, if the contractual cash flows of the financial asset comprise solely payments of principal and interest and the financial asset is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the financial asset is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- FVPL, if the financial asset does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the financial asset (including interest) are recognised in profit or loss.

Investment in equity securities are classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (nonrecycling), are recognised in profit or loss.

The Group's financial assets measured at amortised cost and FVPL continue with their respective classification and measurements upon initial application of HKFRS 9. The Group does not have any financial assets classified as FVOCI.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVPL that is attributable to changes of that financial liabilities' credit risk to be recognized in other comprehensive income (non-recycling).

The Group does not have any financial liabilities designated at FVPL and therefore the new requirement on financial liabilities does not have any impact on the Group.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9, Financial instruments (Continued)

(ii) Impairment

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost. Financial assets measured at fair value through profit or loss are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial assets, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

As a result of this change in accounting policy on financial assets impairment, there is no significant impact to the Group's financial statements and accordingly no adjustment to the opening balance of equity at 1 January 2018 and no restatement to the comparative information are required.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services.

(i) Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised goods or service is regarded as being transferred over time:

A – When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B – When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C – When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have any impact on the timing the Group recognises revenue.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 15, Revenue from contracts with customers (Continued)

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

HKFRS 15 does not prohibit an entity from using alternative descriptions in the statement of financial position for contract assets and contract liabilities, provided that sufficient information is available for a financial statements user to distinguish between receivables and contract assets, payables and contract liabilities. The Group does not have any significant contract asset and liability.

(iii) Disclosures

HKFRS 15 requires that an entity shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

(c) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income arising from a transaction in which an entity receives or pays advance consideration in a foreign currency. The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any significant impact on the financial position and the financial result of the Group.

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	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue		
Sale of goods	**286,297**	176,414

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.

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.

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.

4. SEGMENT REPORTING (Continued)

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.

(a) Segment results, assets and liabilities

For the periods ended 30 June 2018 and 2017

	Securities investments		Manufacturing and trading of toys		Medical and health		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue								
Revenue from external customers	**–**	–	**286,297**	176,414	**–**	–	**286,297**	176,414
Reportable segment (loss) profit before taxation	**3,668**	(5,499)	**4,623**	(98)	**(856)**	(4,507)	**7,435**	(10,104)
Unallocated corporate income							**2,382**	3,096
Unallocated corporate expenses							**(21,788)**	(29,220)
Loss before taxation							**(11,971)**	(36,228)
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	**–**	–	**(4,069)**	(4,033)	**–**	–	**(4,069)**	(4,033)
Amortisation of prepaid land premiums	**–**	–	**(72)**	(75)	**–**	–	**(72)**	(75)
Write down of inventories, net	**–**	–	**(1,756)**	(1,175)	**–**	–	**(1,756)**	(1,175)
Gain/(loss) on disposal of property, plant and equipment, net	**–**	–	**(53)**	3,304	**–**	–	**(53)**	3,304
Research and development expenses	**–**	–	**–**	–	**(856)**	(4,507)	**(856)**	(4,507)
Changes in fair value of trading Securities	**3,669**	(4,348)	**–**	–	**–**	–	**3,669**	(4,348)
Bank interest income	**–**	–	**239**	23	**–**	–	**239**	23
Interest expense	**–**	–	**(3,849)**	(4,415)	**–**	–	**(3,849)**	(4,415)
Addition to non-current assets								
Property, plant and equipment	**–**	–	**4,465**	4,781	**–**	–	**4,465**	4,781

4. SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment, assets and liabilities

As at 30 June 2018

	Securities investments *HK$'000*	Manufacturing and trading of toys *HK$'000*	Medical and health *HK$'000*	Total *HK$'000*
Reportable segment assets	**31,248**	**411,647**	**–**	**442,895**
Unallocated corporate assets				**342,457**
Total assets				**785,352**
Reportable segment liabilities	**–**	**(378,416)**	**–**	**(378,416)**
Unallocated corporate liabilities				**(89,707)**
Total liabilities				**(468,123)**

As at 31 December 2017

	Securities investments *HK$'000*	Manufacturing and trading of toys *HK$'000*	Medical and health *HK$'000*	Total *HK$'000*
Reportable segment assets	27,579	391,049	–	418,628
Unallocated corporate assets				334,224
Total assets				752,852
Reportable segment liabilities	–	(360,108)	–	(360,108)
Unallocated corporate liabilities				(59,576)
Total liabilities				(419,684)

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

5. OTHER INCOME AND GAIN

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank interest income	**351**	69
Other interest income	**1,501**	1,929
Change in fair value of investment properties	**–**	637
Rental income	**768**	1,437
Mould income	**260**	1,044
Sundry income	**585**	531
	3,465	5,647

6. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**87,706**	75,323
Other employee benefits	**2,281**	1,530
Contributions to defined contribution retirement plans	**6,501**	5,792
	96,488	82,645
Cost of inventories	**249,732**	137,229
Depreciation of property, plant and equipment	**4,783**	4,483
Amortisation of prepaid land premiums	**72**	75
Write down of inventories, net	**1,756**	1,175
Provision for loss on disposal of asset held for sale	**3,923**	–
Interest on borrowings	**5,218**	5,761

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")	**630**	305
Deferred taxation		
Current period	**–**	105
	630	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.

Enterprise Income Tax in the PRC has been calculated based on the estimated assessable profits of subsidiaries operating in the PRC at 25%.

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	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(12,601)**	(36,638)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**3,661,865**	3,248,605

The computation of diluted loss per share for the six months periods ended 30 June 2018 and 2017 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$4,928,000 (six months ended 30 June 2017: HK$6,867,000). The Group disposed of machinery and equipment with carrying amounts totalling approximately HK$306,000 (six months ended 30 June 2017: HK$360,000).

11. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2018	101,926
Reclassified to assets classified as held for sale	(41,395)
Exchange realignment	(870)
At 30 June 2018	59,661
Unrealised gain on property revaluation included in profit or loss	–

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 reclassified to assets classified as held for sale in the current interim period.

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.

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 2018 *HK$'000* **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
0 to 30 days	**86,663**	77,526
31 to 90 days	**21,005**	37,134
Over 90 days	**8,521**	40
	116,189	114,700

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% (2017: 8%) per annum and are repayable within two years. At the end of the reporting period, the loan receivables were past due but not impaired. Subsequent to 30 June 2018, the past due loan receivables were fully settled.

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 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**135,420**	96,591
31 to 90 days	**39,040**	53,991
Over 90 days	**23,259**	20,793
	197,719	171,375

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$253,914,000 (six months ended 30 June 2017: HK$203,441,000) and repaid borrowings amounting to HK$245,842,000 (six months ended 30 June 2017: HK$154,305,000). The borrowings carry fixed interest at market rates ranged from 2.5% to 10% per annum (six months ended 30 June 2017: 2.5% to 10% per annum) and are repayable within one year.

16. SHARE CAPITAL

	Number of shares		Amount	
	2018	2017	**2018**	2017
	'000	*'000*	***HK$'000***	*HK$'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	**3,661,865**	2,981,865	**366,186**	296,186
Issue of ordinary shares	**–**	680,000	**–**	68,000
At 30 June	**3,661,865**	3,661,865	**366,186**	366,186

17. EQUITY-SETTLED SHARE-BASED PAYMENTS

The Company's 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
	'000
At 1 January 2018 and 30 June 2018	222,320

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

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

The movement of share options during the six months period ended 30 June 2018 is presented as follows:

		Number of share options		
	Name of grant	At 1 January 2018 *'000*	Lapsed during the period *'000*	At 30 June 2018 *'000*
Executive director				
Mr. Xing Wei	2015 Grant	10,000	–	10,000
		10,000	–	10,000
Independent non-executive director				
Mr. Li Fang	2014 Grant	1,680	–	1,680
	2015 Grant	140	–	140
		1,820	–	1,820
Employees	2014 Grant	7,000	–	7,000
	2015 Grant	29,200	20,200	9,000
Other participants	2014 Grant	63,200	–	63,200
	2015 Grant	131,300	–	131,300
Total		242,520	20,200	222,320

Notes:

(a) There were no share options granted, exercised or cancelled during the period.

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:

	Name of grant	At 1 January 2017 '000	Reclassified during the period '000	At 30 June 2017 '000
Executive directors				
Mr. Xing Wei *(Note b)*	2015 Grant	–	10,000	10,000
Mr. Zhang Jack Jiyei *(Note c)*	2014 Grant	16,800	–	16,800
	2015 Grant	3,400	–	3,400
		20,200	10,000	30,200
Independent non-executive director				
Mr. Li Fang	2014 Grant	1,680	–	1,680
	2015 Grant	140	–	140
		1,820	–	1,820
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
Total		287,920	–	287,920

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.

(c) Mr. Zhang Jack Jiyei resigned as the director of the Company on 16 November 2017.

18. COMMITMENTS

Acquisition of property, plant and equipment

	As at 30 June 2018 *HK$'000* **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
Capital expenditure in respect of the construction of properties constructed for but not provided in consolidated financial statements	**–**	60,196

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	
	2018 *HK$'000* **(unaudited)**	2017 *HK$'000* (unaudited)
Salaries, allowances and other benefits in kind	**2,689**	5,662
Retirement scheme contributions	**9**	12
	2,698	5,674

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*
30 June 2018				
Financial assets at fair value through profit or loss				
– Trading securities	31,248	–	–	31,248
31 December 2017				
Financial assets at fair value through profit or loss				
– Trading securities	27,579	–	–	27,579

During the six months ended 30 June 2018, there were no transfers between Level 1 and 2, or transfers into or out of Level 3 (six months ended 30 June 2017: nil).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2018 (30 June 2017: nil).

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

As at 30 June 2018, 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 ("Mr. Xing")	Beneficial owner	10,000,000	–	10,000,000	0.27%
	Interest of controlled corporation	–	651,995,472	651,995,472 *(Note 1)*	17.81%
Mr. Li Fang	Beneficial owner	1,820,000	–	1,820,000	0.05%

Notes:

1. 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 58% by Ms. Zhao Yuanyuan and 42% by Mr. Xing, an Executive Director of the Company. Accordingly, Mr. Xing, Ms. Zhao Yuanyuan and BVG were deemed to be interested in 651,995,472 shares of the Company under the SFO.

2. The percentage of shareholding is calculated on the basis of 3,661,864,729 shares of the Company in issue as at 30 June 2018.

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 2018, 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 2018 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.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2018, 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 and underlying shares of the Company

Name of shareholder	Capacity and nature of interest	Personal interest	Corporate interest	Number of shares held	Approximate percentage of the Company's issued share capital *(Note 4)*
Mr. Xing Wei ("Mr. Xing")	Beneficial owner	10,000,000	–	10,000,000	0.27%
	Interest of controlled corporation	–	651,995,472	651,995,472 *(Note 1)*	17.81%
Ms. Zhao Yuanyuan ("Ms. Zhao")	Beneficial owner	4,996,000	–	4,996,000	0.14%
	Interest of spouse	3,540,000	–	3,540,000	0.10%
	Interest of controlled corporation	–	651,995,472	651,995,472 *(Note 1)*	17.81%
China Strategic Holdings Limited ("CSH")	Interest of controlled corporation	–	651,995,472	651,995,472 *(Note 2)*	17.81%
Mr. Ji Xiang ("Mr. Ji")	Interest of controlled corporation	–	496,976,000	496,976,000 *(Note 3)*	13.57%
Mr. Shen Jia ("Mr. Shen")	Beneficial owner	400,000,000	–	400,000,000	10.92%

Notes:

1. 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 58% by Ms. Zhao and 42% by Mr. Xing, an Executive Director of the Company. Accordingly, Mr. Xing, Ms. Zhao and BVG were deemed to be interested in 651,995,472 shares of the Company under the SFO.

2. 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.

3. 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.

4. The percentage of shareholding is calculated on the basis of 3,661,864,729 shares of the Company in issue as at 30 June 2018.

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 2018 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 of the Listing Rules throughout the six months ended 30 June 2018 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 Executive Director, one Non-executive Director and two Independent Non-executive Directors of the Company were unable to attend the annual general meeting of the Company held on 1 June 2018 due to other prior business engagements. One Executive Director, 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 26 June 2018 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.

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 2018.

Other Information

UPDATE ON DIRECTORS' INFORMATION

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

1. Mr. Wei Guo has been appointed as chief executive officer of the Company on 15 June 2018.

2. Mr. Lau Shun Pong Johnson resigned as the chief financial officer and company secretary of China Golden Classic Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8281) on 14 August 2018. Besides, he has been appointed as the chief financial officer of Dafy Holdings Limited, a company listed on the Stock Exchange (stock code: 1826) on 15 August 2018.

3. Mr. Lai Ming Wai resigned as a non-executive director of Hong Wei (Asia) Holdings Limited a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8191), on 11 May 2018. Besides, he has been appointed as a non-executive director of Credit Intelligence Holding Limited, a company listed on the Australian Securities Exchange (ASX code: CI1), on 22 May 2018.

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 2018. 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 2018, 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 2018