



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

2020

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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. Zhao Deyong (*Chairman*)

Mr. Liu Michael Xiao Ming
(*Chief Executive Officer*)

Mr. Luo Lianjun

Non-executive Director

Mr. Lin Shaopeng

Independent Non-executive Directors

Mr. Kwok Kim Hung Eddie

Mr. Ng Wai Hung

Ms. Shi Xiaolei

AUDIT COMMITTEE

Mr. Kwok Kim Hung Eddie (*Chairman*)

Mr. Ng Wai Hung

Ms. Shi Xiaolei

REMUNERATION COMMITTEE

Ms. Shi Xiaolei (*Chairman*)

Mr. Kwok Kim Hung Eddie

Mr. Ng Wai Hung

NOMINATION COMMITTEE

Mr. Ng Wai Hung (*Chairman*)

Mr. Kwok Kim Hung Eddie

Ms. Shi Xiaolei

COMPANY SECRETARY

Mr. Liu Ze Kui Alex

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

Moore Stephens CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

4th floor North, Cedar House,
41 Cedar Avenue, Hamilton HM 12,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East,
Hong Kong

WEBSITE

<http://www.winshine.com>

<http://www.tricor.com.hk/web/service/000209>



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the interim period ended 30 June 2020, the Group recorded a revenue of HK\$111.9 million, representing a decrease of 32.4% from the revenue of HK\$165.4 million for the interim period at 30 June 2019. The revenue decrease was mainly due to the impact of 2019 novel coronavirus disease (“COVID-19”).

The securities investment division recorded a loss of HK\$3.1 million in the interim period on 30 June 2020, compared with a loss of HK\$9.9 million in the interim period ending 30 June 2019, representing a decrease of losses of 68.0% year-on-year.

For the interim period ended 30 June 2020, the Group net loss decreased by 9.6% to HK\$36.6 million compared with HK\$40.5 million in last year period ended. The main reason for the loss decrease was the result of implemented an active cost-saving measurements and the decrease in losses on securities investment division. The Group recorded a gain on disposal on the medical and health project disposed during the period.

Toys Division

For the interim period ended 30 June 2020, revenue of toys division decreased by 32.4% to HK\$111.9 million. The significant decrease was mainly due to the impact COVID-19. The COVID-19 caused the suspension of the toy factory and lead to a decrease in the production, also, as a result of the trade war between the PRC and United States of America, the customers shifted parts of their supply from the PRC. This conflict put pressure on product margins, new orders placed and delayed order placement, causing gross loss for the interim period ended 30 June 2020. Toys division showed a loss of HK\$29.3 million compared with a HK\$13.1 million profit in the same period in 2019.

Securities investments

During the six months ended 30 June 2020, the Hong Kong stock market experienced a great fluctuation, as factors such as COVID-19 and China-US trade war. The Group adopted a conservative strategy in managing its investment portfolio during the period. The securities investments division recorded a 68.0% improvement, representing the reduced loss from HK\$9.9 million to HK\$3.1 million as compared with interim period in 2019.

At the end of 30 June 2020, the Group securities portfolio was valued at HK\$3.5 million compared with the end of 2019 at HK\$6.9 million on a fair value basis. The Group did not receive any dividend income in both interim periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of the Group's significant investments held as at 30 June 2020

Stock Code	Name	Principal businesses	Market value as at 30/06/2020 HK\$'000	Number of shares held as at 30/06/2020	Percentage held to the total issued of the stock	Gain/(loss) on change of fair value during the period ended 30/06/2020 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	-	-	-	(729)
8316	Pak Wing Group (Holdings) Ltd.	Foundation business in Hong Kong	-	-	-	(84)
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	-	-	-	(2,289)
2328	PICC Property and Casualty Company Limited	Insurances business in the PRC	1,278	200	0.00%	(51)
386	China Petroleum & Chemical Corporation	Oil and gas and chemical operations and business	1,260	390	0.00%	(37)
	Others		999	-	-	29
Total			3,537			3,161

Medical and Health Division

During the first half of 2020 the group disposed the medical research project for a consideration of HK\$8 million. The net proceeds from the Disposal will be used for working capital of the Group and investment in other business.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30 June 2020, the Group had current assets of HK\$263,982,000 (31 December 2019: HK\$333,364,000) comprising cash and cash equivalents of HK\$24,666,000 (31 December 2019: HK\$89,280,000). The Group's current ratio, calculated as current assets divided by current liabilities of HK\$413,376,000 (31 December 2019: HK\$399,013,000), remained at a ratio of 0.64 (31 December 2019: 0.84).

At the period end, the Group's trading securities amounted to HK\$3,537,000, representing a decrease of 48.7% from that of the previous year ended 31 December 2019: HK\$6,891,000. The Group's borrowings at 30 June 2020 and at 31 December 2019 were all denominated in Hong Kong dollars. All borrowings totalling HK\$260,098,000 (31 December 2019: HK\$254,441,000).

As of 30 June 2020, the equity attributable to owners of the Company decreased by 33% to HK\$80,598,000 (31 December 2019: HK\$120,279,000) 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 payables and other payables less cash and cash equivalents. The gearing ratio of the Group at 30 June 2020 was approximately 82% (31 December 2019: 71%).

The management team is more closely aligned with our shareholders as can be seen from the actions taken so far to redirect the Company toward a better internal control, resolution of the legacy issues, and a substantial reduction of the management cost. Looking forward, the key to the Company's successes lies in a continued improvement of the profitability of our toys business and, more importantly, re-deployment of our energy and assets in high growth and more profitable businesses. We are confident that we stand a good chance in those endeavors.

PROSPECTS

Given the worldwide impact from COVID-19, the Group is facing tremendous uncertainties in respect to its toy business, however, the management is devoted to reduce the toy business's loss at the minimum level. At the same time, the board of directors will look for other business opportunities other than toy business.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4	111,870	165,402
Cost of sales		(120,417)	(153,688)
Gross (loss) profit		(8,547)	11,714
Other income, gains and losses	5	6,309	10,548
Gain on disposal of subsidiaries	20	7,991	–
Selling and distribution costs		(1,908)	(2,306)
Administrative expenses		(26,178)	(30,545)
Research and development expenses		(336)	(1,185)
Net realised loss on financial assets at fair value through profit or loss		(3,077)	–
Net unrealised loss on financial assets at fair value through profit or loss		(84)	(9,893)
Other operating expenses		(4,095)	(9,856)
Finance costs	6	(6,047)	(6,843)
Loss before tax		(35,972)	(38,366)
Income tax expense	7	(607)	(2,136)
Loss for the period	8	(36,579)	(40,502)
Loss for the period attributable to the owners of the Company		(36,579)	(40,502)
Loss per share			
Basic and diluted	10	(HK1.00 cents)	(HK1.11 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	(36,579)	(40,502)
Other comprehensive (expense) income		
<i>Item that will not be reclassified to profit or loss:</i>		
Gain on revaluation of properties	<u>1,962</u>	<u>1,870</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on arising on translation of foreign operations	(4,985)	(977)
Release of exchange reserve upon disposal of a subsidiary	<u>(79)</u>	<u>–</u>
Other comprehensive (expense) income for the period	<u>(3,102)</u>	<u>893</u>
Total comprehensive expense for the period	<u>(39,681)</u>	<u>(39,609)</u>
Total comprehensive expense for the period attributable to the owners of the Company	<u>(39,681)</u>	<u>(39,609)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	135,958	135,168
Right-of-use assets	11	8,118	9,185
Investment properties	12	108,386	110,518
Deferred tax assets		7,517	7,517
Rental deposits		110	–
		260,089	262,388
Current assets			
Financial assets at fair value through profit or loss		3,537	6,891
Inventories		98,866	67,541
Trade receivables	13	75,474	84,779
Loan receivables	14	9,615	9,615
Prepayments, deposits and other receivables		17,072	17,088
Pledged bank deposits		34,752	58,170
Bank balances and cash		24,666	89,280
		263,982	333,364
Current liabilities			
Trade payables	15	118,239	148,159
Other payables and accruals		26,687	35,330
Contract liabilities		1,794	542
Borrowings	16	260,098	209,441
Lease liabilities		3,530	3,458
Tax payables		3,028	2,083
		413,376	399,013
Net current liabilities		(149,394)	(65,649)
Total assets less current liabilities		110,695	196,739

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Non-current liabilities			
Borrowings	16	–	45,000
Lease liabilities		901	2,005
Deferred tax liabilities		29,196	29,455
		30,097	76,460
Net assets		80,598	120,279
Capital and reserves			
Share capital	17	366,186	366,186
Deficit		(285,588)	(245,907)
Total equity		80,598	120,279

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to the owners of the Company							Total equity HK\$'000
	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	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2020 (audited)	366,186	942,400	55,835	11,744	37,716	18,831	(1,312,433)	120,279
Loss for the period	-	-	-	-	-	-	(36,579)	(36,579)
Other comprehensive income (expense) for the period	-	-	1,962	-	-	(5,064)	-	(3,102)
Total comprehensive income (expense) for the period	-	-	1,962	-	-	(5,064)	(36,579)	(39,681)
Share options lapsed (note 18)	-	-	-	-	(37,716)	-	37,716	-
At 30 June 2020 (unaudited)	366,186	942,400	57,797	11,744	-	13,767	(1,311,296)	80,598
At 1 January 2019 (audited)	366,186	942,400	53,475	10,930	50,786	24,808	(1,284,248)	164,337
Loss for the period	-	-	-	-	-	-	(40,502)	(40,502)
Other comprehensive expense for the period	-	-	1,870	-	-	(977)	-	893
Total comprehensive expense for the period	-	-	1,870	-	-	(977)	(40,502)	(39,609)
Share options lapsed (note 18)	-	-	-	-	(2,824)	-	2,824	-
At 30 June 2019 (unaudited)	366,186	942,400	55,345	10,930	47,962	23,831	(1,321,926)	124,728

Note: The Group's subsidiaries in the People's Republic of China (the "PRC") 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 2020

	NOTE	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash used in operating activities		(85,836)	(102,859)
Investing activities			
Deposit refunded for termination of disposal of a subsidiary		–	(21,214)
Purchases of property, plant and equipment		(5,010)	(9,970)
Interest received		481	1,344
Net cash inflow from disposal of subsidiaries	20	1,912	–
Withdrawal of pledged bank deposits		22,421	–
Other investing cash flows		–	441
Net cash from (used in) investing activities		19,804	(29,399)
Financing activities			
Proceeds from borrowings		138,446	298,678
Repayment of borrowings		(128,896)	(173,453)
Repayments of lease liabilities		(1,814)	(1,735)
Interest paid		(4,874)	(6,622)
Net cash from financing activities		2,862	116,868
Net decrease in cash and cash equivalents		(63,170)	(15,390)
Cash and cash equivalents at 1 January		89,280	75,489
Effect of foreign exchange rate changes		(1,444)	(180)
Cash and cash equivalents at 30 June, represented by bank balances and cash		24,666	59,919

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. CORPORATE INFORMATION

Winshine Science Company Limited (the “Company”) is a limited liability company incorporated in Bermuda. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its address of 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”). Due to the delay in publication of the 2018 annual results and pursuant to the requirements of Rule 13.50 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), trading in the shares of the Company on the Stock Exchange has been suspended with effect from 1 April 2019 and resumed at 27 February 2020.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are manufacturing 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. BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated financial statements do not include all the information required for a complete set of financial statement prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019 (the “2019 Financial Statements”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

2. BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Group's ability to continue as a going concern basis

For the six months ended 30 June 2020, the Group incurred a loss of approximately HK\$36,579,000 and as at 30 June 2020, the Group had net current liabilities of approximately HK\$149,394,000. The Group's bank balances and cash and pledged bank deposits amounted to approximately HK\$24,666,000 and HK\$34,752,000 respectively, in contrast to its borrowings of approximately HK\$260,098,000 which are repayable within the next twelve months as disclosed in note 16.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

- (i) negotiating with respective lenders to renew and extend existing borrowings upon their maturities, in which an extension agreement for the bank facilities entered into between the Group and the bank to extend the maturity date to 11 May 2021, detail of which is set out in note 16 to the condensed consolidated financial statements;
- (ii) implementing an active cost-saving measures to control administrative costs through various ways to improve operating cash flows at a level sufficient to finance the working capital requirements of the Group; and
- (iii) reviewing its investments and actively considering to realise certain of investment properties and/or listed securities held for trading, in order to enhance the cash flow position of the Group whenever it is necessary.

On the basis of the above considerations and taking into account the above measures, the directors of the Company are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of issuance of these condensed consolidated financial statements and accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

Other than changes in accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the 2019 Financial Statements.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Accounting policies newly applied by the Group

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "Other income, gains and losses".

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. REVENUE AND OPERATING SEGMENTS

Revenue represents revenue arising on sale of toy products for the year. The revenue relates to revenue from contracts with customers which is within the scope of HKFRS 15. All revenue is recognised at a point in time upon delivery of the goods to customers.

The Group manufactured toy products in accordance with the performance obligations as set out in each sales contracts with its customers. The performance obligations in sales contracts have an original expected duration of one year or less. The Group has applied the practical expedient in HKFRS 15 and hence information about the Group's remaining performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period is not disclosed. The Group recognised the incremental costs of obtaining a contract as an expense when incurred since the amortisation period of the asset that the Group otherwise would have recognised was one year or less.

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue from sales of finished goods of toy products	111,870	165,402

The Group is organised and its businesses are managed by divisions, which are a mixture of both business lines and geographical locations. Information reported internally to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and performance assessment of segment performance focuses on types of goods or services delivered or provided. The Group has presented the following three reportable segments. No operating segments have been aggregated in arriving at the following reportable segments of the Group.

1. Securities investments: this segment derives its revenue from dividends received from equity securities investments.
2. Toys: this segment derives its revenue from manufacturing for sale of toys.
3. Medical and health: this segment is under development stage in which research and development expenses for the medical and health technology development have been incurred.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. REVENUE AND OPERATING SEGMENTS (Continued)

The chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

All assets are allocated to reportable segments other than refundable deposits, certain property, plant and equipment, certain prepayments and certain bank balances and cash, which are grouped as unallocated corporate assets.

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

Segment loss before tax excludes 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 FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. REVENUE AND OPERATING SEGMENTS (Continued)

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 30 June 2020 and 2019

	Securities investments		Toys		Medical and health		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue								
Revenue from external customers	-	-	111,870	165,402	-	-	111,870	165,402
Reportable segment loss before tax	(3,188)	(9,894)	(29,348)	(13,065)	(336)	(1,185)	(32,872)	(24,144)
Unallocated corporate income							8,994	10,548
Unallocated corporate expenses							(12,094)	(24,770)
Loss before tax							(35,972)	(38,366)
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	-	-	(5,281)	(4,332)	-	-	(5,281)	(4,332)
Depreciation of right-of-use assets	-	-	(630)	(433)	-	-	(630)	(433)
(Write down) reversals of inventories, net	-	-	(352)	828	-	-	(352)	828
(Loss) gain on disposal of property, plant and equipment, net	-	-	(12)	70	-	-	(12)	70
Net realised loss on financial assets at fair value through profit or loss	(3,077)	-	-	-	-	-	(3,077)	-
Net unrealised loss on financial assets at fair value through profit or loss	(84)	(9,893)	-	-	-	-	(84)	(9,893)
Bank interest income	-	-	449	15	-	-	449	15
Interest expense	-	-	(4,431)	(5,155)	-	-	(4,431)	(5,155)
Research and development expenses	-	-	-	-	(336)	(1,185)	(336)	(1,185)
Purchases of property, plant and equipment	-	-	1,580	9,956	-	-	1,580	9,956

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. REVENUE AND OPERATING SEGMENTS (Continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

As at 30 June 2020 (unaudited)

	Securities investments HK\$'000	Toys HK\$'000	Medical and health HK\$'000	Total HK\$'000
Reportable segment assets	3,708	370,517	–	374,225
Unallocated corporate assets				149,846
Total assets				524,071
Reportable segment liabilities	–	(371,739)	–	(371,739)
Unallocated corporate liabilities				(71,734)
Total liabilities				(443,473)

As at 31 December 2019 (audited)

	Securities investments HK\$'000	Toys HK\$'000	Medical and health HK\$'000	Total HK\$'000
Reportable segment assets	6,896	436,890	–	443,786
Unallocated corporate assets				151,966
Total assets				595,752
Reportable segment liabilities	–	(400,967)	–	(400,967)
Unallocated corporate liabilities				(74,506)
Total liabilities				(475,473)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net foreign exchange gain	4,002	1,279
Rental income	978	929
Loan interest income	481	1,258
Bank interest income	480	86
Government grants (<i>note</i>)	84	–
(Loss) gain on disposal of property, plant and equipment, net	(12)	70
Change in fair value of investment properties	–	6,021
Mould income	–	73
Sundry income	296	832
	6,309	10,548

Note:

During the current interim period, the Group recognised government grants of HK\$84,000 in respect of COVID-19 related subsidies, which relates to Employment Support Scheme provided by the Hong Kong government.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

6. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest on bank loans	3,845	2,580
Interest on corporate bonds	1,515	1,506
Interest on revolving loans	375	2,212
Interest on a short-term loan	177	324
Interest on lease liabilities	135	221
	6,047	6,843

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
PRC Enterprise Income Tax ("EIT") Current period	607	–
Deferred tax expense	–	2,136
Income tax expense	607	2,136

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

The directors of the Company considered the amounts involved arising from the implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The Group is liable to withholding taxes on dividends distributed by the subsidiaries established in the PRC in respect of earnings generated from 1 January 2008. Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% is applied to the Group as there is a double tax treaty between the PRC and Hong Kong and the relevant Hong Kong companies should be qualified for the preferential tax rate based on the prescribed conditions.

Taxation arising in other jurisdictions is calculated at the rates of tax prevailing in the relevant jurisdictions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Employee benefit expense (including directors' remunerations):		
Wages and salaries	49,774	52,154
Other employee benefits	656	1,931
Contributions to defined contribution retirement plans	3,981	5,643
	54,411	59,728
Cost of inventories recognised as an expense (included in cost of sales) (note a)	119,743	155,764
Redundancy cost (note b)	952	–
Depreciation of property, plant and equipment	5,471	4,738
Depreciation of right-of-use assets	1,540	1,650
Write down (reversals) of inventories, net (included in cost of sales)	352	(828)
Operating lease charges in respect of land and buildings	1,029	1,115

Notes:

- (a) Cost of inventories included sub-contracting cost amounting to HK\$25,851,000 (2019: HK\$21,130,000).
- (b) During the current interim period, certain expenses of approximately HK\$952,000 directly related and attributable to COVID-19 event are classified under other operating expenses. The expenses were attributable to staff, space and depreciation expenses which the Group had to bear even though the affected plants were not operational in compliance with the respective government mandated closure of the plants.

9. DIVIDENDS

No dividends were paid, declared 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

10. 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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	(36,579)	(40,502)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	3,661,865	3,661,865

The computation of diluted loss per share for the six-month periods ended 30 June 2020 and 2019 does not assume the exercise of share options granted by the Company since such assumed exercise would result in a decrease in loss per share. As at 30 June 2020, all the share options were lapsed.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired certain property, plant and equipment with an aggregate carrying amount of approximately HK\$5,010,000 (for the six months ended 30 June 2019: HK\$9,970,000). The Group disposed of machinery and equipment with an aggregate carrying amount of approximately HK\$114,000 (for six months ended 30 June 2019: HK\$1,707,000).

During the current interim period, the Group extended into a lease agreement for the use of an office for two years and accordingly additional right-of-use assets amounted to HK\$821,000 (for six months ended 30 June 2019: HK\$1,461,000) have been recognised during the current period. The Group is required to make fixed monthly payments during the contract period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

12. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
Fair value	
At 31 December 2019 and 1 January 2020 (audited)	110,518
Exchange adjustments	<u>(2,132)</u>
At 30 June 2020 (unaudited)	<u>108,386</u>
Unrealised gain on property revaluation included in profit or loss (included in other income, gains and losses) (unaudited)	<u>–</u>

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.

The fair values of the Group's investment properties as at 30 June 2020 have been arrived at on the basis of a valuation carried out on the respective date by the directors (31 December 2019: Savills Real Estate Valuation (Guangzhou) Ltd).

For the investment properties located at Haikou City at the end of the current interim period, the valuation is arrived at by using direct comparison approach (31 December 2019: direct comparison approach) by making reference to the comparable market transactions as available. The direct comparison approach is based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property.

For the investment properties located at Suzhou at the end of the current interim period, the valuation of the warehouse and leasehold land are arrived at by using depreciated replacement cost ("DRC") approach (31 December 2019: DRC approach) and direct comparison approach (31 December 2019: direct comparison approach) respectively. The DRC approach is based on the land value in its exiting use and an estimate of the new replacement costs of the buildings and structures, including professional fees and finance charges, from which deductions are then made to allow for age, physical, functional and environmental obsolescence. The direct comparison approach is based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

13. TRADE RECEIVABLES

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. All of the trade receivables are expected to be recovered within one year.

The following is an aged analysis of trade receivables (net of provision of expected credit losses), presented based on the invoice dates, which approximated the revenue recognition date.

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
0 to 30 days	50,541	41,720
31 to 90 days	24,271	42,433
Over 90 days	662	626
	75,474	84,779

14. LOAN RECEIVABLES

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Fixed-rate loan receivables	16,000	16,000
Less: provision of expected credit loss	(6,385)	(6,385)
	9,615	9,615
Analysed as Current	9,615	9,615

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

14. LOAN RECEIVABLES (Continued)

As at 30 June 2020, the loans carry interest at fixed rates of 10% (2019: 10%) per annum. All loans as at 30 June 2020 and 31 December 2019 are repayable within one year and unsecured. As at 30 June 2020 and 31 December 2019, the loan receivables were neither past due nor impaired. Pursuant to loan agreements, the Group retains a discretionary right to demand the repayment from the borrowers in full before the maturity of the loans.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment also includes evaluation of collectability and aging analysis of accounts and on the management's judgment, including the current creditworthiness and past collection history of each borrower. In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date credit was initially granted up to the reporting date. This includes assessing the credit history of the business, such as financial difficulties or default in payments and current market conditions.

During the six months ended 30 June 2020, in determining the expected credit losses ("ECL") for these assets, the directors of the Company have taken into account the financial position of the counterparties as well as the future prospects of the industries in which the borrowers operate and considered various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The ECL is assessed individually for the counterparties.

Provision of ECL for loan receivables is assessed on 12-month ECL ("12m ECL") basis when there has been no significant increase in credit risk since initial recognition. However, when there has been a significant increase in credit risk since origination, the provision will be based on the lifetime ECL. As a result, the gross carrying amount of HK\$16,000,000 (31 December 2019: HK\$16,000,000) is assessed on the lifetime ECL.

The loan receivables amounting to HK\$16,000,000 (31 December 2019: 16,000,000) as at 30 June 2020, with original maturity date in February 2020, have been extended the repayment terms to February 2021 based on the extension agreement dated on 8 February 2020.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for loan receivables.

No aging analysis is disclosed, as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of business of money lending.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

15. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
0 to 30 days	77,884	58,318
31 to 90 days	20,911	46,087
Over 90 days	19,444	43,754
	118,239	148,159

The trade payables are expected to be settled within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

16. BORROWINGS

	At 30 June 2020 (unaudited)		At 31 December 2019 (audited)	
	Contractual interest rate (%)	HK\$'000	Contractual interest rate (%)	HK\$'000
Bank loans				
– secured (note a)	Fixed rates of 2.8% to 5.22% per annum	146,680	Fixed rates of 3.35% to 5.22% per annum	154,715
– secured (note b)	Fixed rate of 4.00% per annum	32,418	Fixed rate of 4.00% per annum	54,726
Corporate bonds				
– secured (note c)	Fixed rate of 6.75% per annum	45,000	Fixed rate of 6.75% per annum	45,000
Term loan				
– secured (note d)	Fixed rate of 12% per annum	11,000	N/A	–
Sub-total of secured borrowings		235,098		254,441
Revolving loans				
– unsecured (note e)	Fixed rate of 12% per annum	25,000	Fixed rate of 12% per annum	–
		260,098		254,441
Analysed as				
Non-current		–		45,000
Current		260,098		209,441
		260,098		254,441

The above loans are measured at amortised costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

16. BORROWINGS (Continued)

Notes:

- (a) As at 30 June 2020, the bank loans were secured by mortgage over the Group's leasehold buildings and leasehold lands under right-of-use assets with aggregate carrying amount of approximately HK\$102,000,000 (31 December 2019: HK\$102,000,000) and approximately HK\$3,658,000 (31 December 2019: HK\$3,729,000) respectively.

The total banking facilities granted to the Group amounted to RMB150,000,000 (equivalent to approximately HK\$164,222,000) (31 December 2019: RMB150,000,000 (equivalent to approximately HK\$167,452,000)) of which approximately HK\$146,680,000 (31 December 2019: HK\$154,715,000) were utilised as at 30 June 2020. As at 19 May 2020, the Group has entered into an extension agreement to extend the maturity date to 11 May 2021.

- (b) The bank borrowings were secured by pledge over the Group's bank deposits of approximately HK\$34,752,000 as at 30 June 2020 (31 December 2019: HK\$58,170,000).

As at 30 June 2020, the total banking facilities amounted to RMB100,000,000 (equivalent to approximately HK\$109,481,000) (31 December 2019: RMB100,000,000 (equivalent to approximately HK\$111,635,000)) are available to the Group when further security to be pledged to the bank, of which approximately RMB29,611,000 (equivalent to HK\$32,418,000) (31 December 2019: RMB49,023,000 (equivalent to HK\$54,726,000)) were utilised as at 30 June 2020. As at 19 May 2020, the Group has entered into an extension agreement to extend the maturity date to 11 May 2021.

- (c) On 7 December 2016, corporate bonds amounted to HK\$45,000,000 were issued by the Company, bearing interest of 6% per annum and payable semi-annually in arrears, and with maturity in two years, of which are secured by pledge of shares of a subsidiary of the Company.

The corporate bonds had become due and payable on its maturity date of 6 December 2018. As at 31 December 2018, the Group defaulted on the repayment of the corporate bonds and further negotiated with the bond holder for extension. On 23 August 2019, by successfully entering into a deed of waiver and a supplemental deed poll to the bond instrument executed by the Company, the Group was discharged and released from the obligation and liabilities which arose from the default and the maturity date was extended to 30 September 2020. The corporate bonds then bear interest at 6.75% per annum from 7 December 2018 to 30 September 2020. As at 27 December 2019, an extension deed was signed, which the maturity date was further extended to 31 March 2021.

- (d) On 13 May 2020, the Group has obtained a term loan of HK\$11,000,000 at a fixed rate of 12% per annum from an independent third party, with a maturity in one year. The loan is secured by pledge of shares of a subsidiary of the Group and a first floating charge over the assets of a subsidiary of the Group to the lender.

- (e) The revolving loans utilised with carrying amount of HK\$25,000,000 as at 30 June 2020 (31 December 2019: nil), repayable within one year, were granted by a substantial shareholder of the Company and guaranteed by the Company. The revolving loans had unutilised amount of HK\$25,000,000 (31 December 2019: HK\$50,000,000) as at 30 June 2020. As at 8 October 2019, the Group entered into an extension agreement to extend the maturity date to 30 September 2020. As at 31 December 2019, the Group entered into another extension agreement to further extend the maturity date to 31 March 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

17. SHARE CAPITAL

	Number of shares		Amount	
	2020 '000	2019 '000	2020 HK\$'000	2019 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At 1 January, 30 June and 31 December	7,000,000	7,000,000	700,000	700,000
Issued and fully paid:				
At 1 January, 30 June and 31 December	3,661,865	3,661,865	366,186	366,186

18. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Details of share options granted in previous years and outstanding during the six-month periods ended 30 June 2020 and 2019 under the scheme are as follows:

Name of grant	Date of grant	Exercisable 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-month period ended 30 June 2020 is presented as follows:

Name of grant	Number of share options			
	At 1 January 2020 '000	Lapsed during the period '000	At 30 June 2020 '000	
Employees	2015 grant	1,000	(1,000)	–
Other participants	2015 grant	131,300	(131,300)	–
Total		132,300	(132,300)	–

During the current interim period, all the share options were lapsed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

18. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The movement of share options during six-month period ended 30 June 2019 is presented as follows:

	Name of grant	Number of share options		
		At 1 January 2019 '000	Lapsed during the period '000	At 30 June 2019 '000
Executive director				
Mr. Xing Wei (<i>note a</i>)	2015 grant	10,000	(10,000)	–
Independent non-executive director				
Mr. Li Fang (<i>note b</i>)	2014 grant	1,680	(1,680)	–
	2015 grant	140	(140)	–
		1,820	(1,820)	–
Employees	2014 grant	2,000	–	2,000
	2015 grant	1,000	–	1,000
Other participants	2014 grant	63,200	–	63,200
	2015 grant	131,300	–	131,300
		197,500	–	197,500
Total		209,320	(11,820)	197,500

During both periods, there were no share options granted, exercised or cancelled.

Notes:

(a) Mr. Xing Wei was other participants before his appointment as the director of the Company on 8 May 2017. He was removed on 10 May 2019.

(b) Mr. Li Fang resigned as an independent non-executive director on 7 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

19. CAPITAL COMMITMENTS

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Capital expenditure in respect of the construction of properties contracted for but not provided in the condensed consolidated financial statements	53	54

20. DISPOSAL OF SUBSIDIARIES

During the current interim period, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest in Excellent Harvest International Corporation ("Excellent Harvest"), incorporated in the British Virgin Islands (the "BVI") and indirectly holding 60% equity interest in a company established in the PRC which is principally engaged in preclinical research studies of genetically engineered bacteria for targeted cancer therapy, at a cash consideration of HK\$8,000,000. The disposal was completed on 26 June 2020, on which date the Group lost control of the Excellent Harvest.

On 19 June 2020, the Group disposed of Amazing Express Worldwide Limited ("Amazing Express"), which is incorporated in the BVI, at a consideration of HK\$45,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

20. DISPOSAL OF SUBSIDIARIES (Continued)

The net liabilities of the subsidiaries at the date of disposal were as follows:

	Excellent Harvest <i>HK\$'000</i>	Amazing Express <i>HK\$'000</i>	Total <i>HK\$'000</i>
Bank balances and cash	124	9	133
Shareholders' loans	(11,140)	(1,645)	(12,785)
Other payables and accruals	(745)	–	(745)
Net liabilities disposed of	(11,761)	(1,636)	(13,397)
Cumulative exchange difference	(79)	–	(79)
Assignment of shareholders' loans	11,140	1,645	12,785
Settlement of accruals	745	–	745
Gain on disposal	7,955	36	7,991
Total cash consideration	<u>8,000</u>	<u>45</u>	<u>8,045</u>
Net cash inflow (outflow) arising on disposal:			
Cash consideration received	2,000	45	2,045
Less: Bank balances and cash disposed of	(124)	(9)	(133)
	<u>1,876</u>	<u>36</u>	<u>1,912</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

The board of directors of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a financial asset or a financial liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The board of directors of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) *Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

Some of the Group's financial assets are measured at fair value at the end of each reporting period. Level 1 valuation methodology has been applied to the financial assets at fair value through profit or loss of approximately HK\$3,537,000 as at 30 June 2020 (31 December 2019: HK\$6,891,000). In estimating the fair value, the Group uses market-observable data to the extent it is available.

During the six-month periods ended 30 June 2020 and 2019, there have been no significant transfers between Level 1 and 2 or transfers into or out of Level 3.

(ii) *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The fair values of financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

22. MATERIAL RELATED PARTY TRANSACTIONS

During the six-month periods ended 30 June 2020 and 2019, the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Rental income received from a related company in which a key management personnel of the Company has significant influence	156	156
Interest expenses paid to a substantial shareholder of the Company	375	–

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Short-term benefits	2,042	3,424
Post-employment benefits	23	27
	2,065	3,451

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.



OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020 (30 June 2019: nil).

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

Long positions in the shares and underlying shares of the Company

Save as disclosed in the "EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS" disclosure in note 18 to the condensed consolidated interim financial statements, as at 30 June 2020, 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 for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 18 to the condensed consolidated interim 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 PAYMENT TRANSACTIONS" disclosure in note 18 to the condensed consolidated interim financial statements, at no time during the six months ended 30 June 2020 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 2020, 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	Personal interest	Corporate interest	Number of shares held	Approximate percentage of the Company's issued share capital (Note 3)
China Strategic Holdings Limited ("CSH")	Interest of controlled corporation	–	651,995,472	651,995,472 (Note 1)	17.80%
Mr. Ji Xiang ("Mr. Ji")	Interest of controlled corporation	–	496,976,000	496,976,000 (Note 2)	13.57%
Mr. Shen Jia ("Mr. Shen")	Beneficial owner	400,000,000	–	400,000,000	10.92%

Notes:

- 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. U Credit (HK) Limited had enforced the security interest in 651,995,472 shares on 4 July 2019.
- 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 2020.

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 2020 as required pursuant to section 336 of the SFO.



OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2020.

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 2020.

UPDATE ON DIRECTORS' INFORMATION

There is no updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 2020. 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 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

On behalf of the Board

Zhao Deyong

Executive Director and Chairman

Hong Kong, 28 August 2020