



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 2021

* For identification purpose only

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ABBREVIATIONS

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. 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 (*resigned on 10 September 2021*)

Mr. Zhao Yong (*appointed on 10 September 2021*)

AUDIT COMMITTEE

Mr. Kwok Kim Hung Eddie (*Chairman*)

Mr. Ng Wai Hung

Ms. Shi Xiaolei (*resigned on 10 September 2021*)

Mr. Zhao Yong (*appointed on 10 September 2021*)

REMUNERATION COMMITTEE

Ms. Shi Xiaolei (*Chairman*)

(*resigned on 10 September 2021*)

Mr. Ng Wai Hung (*appointed as Chairman
on 10 September 2021*)

Mr. Kwok Kim Hung Eddie

Mr. Zhao Yong (*appointed on 10 September 2021*)

NOMINATION COMMITTEE

Mr. Zhao Yong (*Chairman*)

(*appointed on 10 September 2021*)

Mr. Ng Wai Hung (*Chairman*)

(*redesignated as member on 10 September 2021*)

Mr. Kwok Kim Hung Eddie

Ms. Shi Xiaolei (*resigned on 10 September 2021*)

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 2021, the Group recorded a revenue of HK\$263.4 million, representing an increase of 135.4% from the revenue of HK\$111.9 million for the interim period at 30 June 2020. The revenue increase was mainly due to the recovery from the impact of 2019 novel coronavirus disease (“COVID-19”).

The securities investment division recorded a profit of HK\$93,000 in the interim period on 30 June 2021, compared with a loss of HK\$3,188,000 in the interim period ending 30 June 2020, representing a decrease of losses of 102.9% year-on-year.

For the interim period ended 30 June 2021, the Group net loss decreased by 14.8% to HK\$31.2 million compared with HK\$36.6 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 is principally engaged in the manufacturing and trading of toys and securities investments. The Group has been cautiously exploring suitable potential investment opportunities to diversify its existing businesses and enhance returns for its Shareholders.

On 7 June 2021, the Group entered into the Agreement with the PRC Partner and obtain the Management and Operation Rights of the Lanling Agri-Products Wholesale Market for a term of five years at an annual fee of RMB2 million payable by the PRC Subsidiary. The Board believes that the Agreement is in line with the Company’s investment strategy and that it is beneficial for the Group to diversify the investment portfolio so as to enhance the potential return of investment of the Group in the long run.

Toys Division

For the interim period ended 30 June 2021, revenue of toys division increased by 135.4% to HK\$263.4 million. The significant increase was mainly due to recovery from the impact COVID-19 in 2020. During the interim period of 2020, the COVID-19 caused the suspension of the toy factory and lead to a decrease in the production and a very keen price competition. Toys division showed a loss of HK\$25.9 million compared with a HK\$29.3 million loss in the same period in 2020.

Securities investments

During the six months ended 30 June 2021, the Hong Kong stock market experienced a great fluctuation. The Heng Sang Index points rose to over 30,000 points but also drop below 25,000 points. The Group adopted a conservative strategy in managing its investment portfolio during the period. The securities investments division recorded a profit of HK\$93,000 in disposal all the securities hold by the Group during the interim period 2021.

At the end of 30 June 2021, the Group no longer hold any securities and the Group did not receive any dividend income in both interim periods.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30 June 2021, the Group had current assets of HK\$366,667,000 (31 December 2020: HK\$222,383,000) comprising cash and cash equivalents of HK\$46,760,000 (31 December 2020: HK\$56,142,000). The Group's current ratio, calculated as current assets divided by current liabilities of HK\$554,776,000 (31 December 2020: HK\$422,621,000), remained at a ratio of 0.66 (31 December 2020: 0.53).

At the period end, the Group's borrowings at 30 June 2021 were all totalling HK\$263,301,000 (31 December 2020: HK\$232,906,000).

As of 30 June 2021, the equity attributable to owners of the Company decreased by 76.1% to HK\$9,060,000 (31 December 2020: HK\$37,901,000) 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 2021 was approximately 98% (31 December 2020: 90%).

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Charge on Assets

At 30 June 2021, the Group's certain leasehold buildings and prepaid land premium in PRC with aggregate carrying amount of HK\$112,514,000 (31 December 2020: HK\$111,586,000), and bank deposits of nil (31 December 2020: HK\$3,463,000) were pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

At 30 June 2021, the Group had no significant contingent liability (31 December 2020: HK\$10,725,000).

Capital Commitments

Details of the capital commitments are provided in Note 20 of the Notes to the Condensed Consolidated Interim Financial Statements of this report.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had a total of approximately 2,650 (30 June 2020: 2,298) employees, including directors, in Hong Kong and PRC. The Group's total staff costs, including directors' remuneration. 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

Given the worldwide impact from COVID-19, the Group expect the positive performance of its toy division will maintain in the second half, along with increase orders and improve in gross profit from each products. In order to enhance production efficiency and simplify department collaboration, the toys division will also invest in production automation facilities.

On the other hand, the Group expect a positive return from the newly involved in managing the Lanling Agri-Products Wholesale Market. Under the national policies, the Group will positively respond to the government's major concern for people's livelihood and food safety monitoring by continuously investing resources to support the "Vegetable Basket" and "Rice Bag" project. The 90,000 square metres wholesale market will help the to support China eastern area including Shanghai city.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTES	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	4	263,462	111,870
Cost of sales		(257,278)	(120,417)
Gross profit (loss)		6,184	(8,547)
Other income, gains and losses	5	2,269	6,309
Gain on disposal of subsidiaries	23	–	7,991
Selling and distribution costs		(2,304)	(1,908)
Administrative expenses		(26,922)	(26,178)
Research and development expenses		–	(336)
Net realised gain (loss) on financial assets at fair value through profit or loss		100	(3,077)
Net unrealised loss on financial assets at fair value through profit or loss		–	(84)
Other operating expenses		(4,132)	(4,095)
Finance costs	6	(7,457)	(6,047)
Loss before tax		(32,262)	(35,972)
Income tax credit (expense)	7	1,039	(607)
Loss for the period	8	(31,223)	(36,579)
Loss for the period attributable to the owners of the Company		(31,223)	(36,579)
Loss per share			
Basic and diluted	10	(HK0.85 cents)	(HK1.00 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Loss for the period	(31,223)	(36,579)
Other comprehensive income (expense)		
<i>Item that will not be reclassified to profit or loss:</i>		
Gain on revaluation of properties	2,160	1,962
Deferred tax charge arising from revaluation surplus of properties	(864)	–
	1,296	1,962
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on arising on translation of foreign operations	1,086	(4,985)
Release of exchange reserve upon disposal of a subsidiary	–	(79)
Other comprehensive income (expense) for the period	2,382	(3,102)
Total comprehensive expense for the period	(28,841)	(39,681)
Total comprehensive expense for the period attributable to the owners of the Company	(28,841)	(39,681)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	NOTES	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	141,633	141,549
Right-of-use assets	11	8,965	6,537
Investment properties	12	59,608	106,702
Deferred tax assets		7,517	7,517
Rental deposits		747	–
		218,470	262,305
Current assets			
Financial assets at fair value through profit or loss		–	1,761
Inventories		174,339	93,360
Trade receivables	13	79,620	55,776
Loan receivables	14	1,865	1,787
Prepayments, deposits and other receivables		12,991	10,094
Pledged bank deposits		–	3,463
Bank balances and cash		46,760	56,142
		315,575	222,383
Assets classified as held for sale	15	51,092	–
		366,667	222,383
Current liabilities			
Trade payables	16	241,059	140,590
Other payables and accruals		30,955	42,129
Contract liabilities		2,653	1,700
Borrowings	17	263,301	232,906
Lease liabilities		3,875	2,363
Tax payables		2,933	2,933
		544,776	422,621
Liabilities associated with assets classified as held for sale	15	11,991	–
		556,767	422,621
Net current liabilities		(190,100)	(200,238)
Total assets less current liabilities		28,370	62,067

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	NOTE	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities		1,417	533
Deferred tax liabilities		17,893	23,633
		19,310	24,166
Net assets			
		9,060	37,901
Capital and reserves			
Share capital	18	366,186	366,186
Deficit		(357,126)	(328,285)
Total equity		9,060	37,901

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	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 2021 (audited)	366,186	942,400	56,980	11,744	-	28,940	(1,368,349)	37,901
Loss for the period	-	-	-	-	-	-	(31,223)	(31,223)
Other comprehensive income for the period	-	-	1,296	-	-	1,086	-	2,382
Total comprehensive income (expense) for the period	-	-	1,296	-	-	1,086	(31,223)	(28,841)
At 30 June 2021 (unaudited)	366,186	942,400	58,276	11,744	-	30,026	(1,399,572)	9,060
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 19)	-	-	-	-	(37,716)	-	37,716	-
At 30 June 2020 (unaudited)	366,186	942,400	57,797	11,744	-	13,767	(1,311,296)	80,598

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 2021

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Net cash used in operating activities	(28,266)	(85,836)
Investing activities		
Proceeds from disposal of financial assets at fair value through profit or loss	1,861	–
Purchases of property, plant and equipment	(4,387)	(5,010)
Interest received	50	481
Net cash inflow from disposal of subsidiaries	–	1,912
Withdrawal of pledged bank deposits	3,498	22,421
Proceed from disposal of property, plant and equipment	79	–
Net cash from investing activities	1,101	19,804
Financing activities		
Proceeds from borrowings	196,407	138,446
Repayment of borrowings	(167,816)	(128,896)
Repayments of lease liabilities	(1,869)	(1,814)
Interest paid	(7,555)	(4,874)
Net cash from financing activities	19,167	2,862
Net decrease in cash and cash equivalents	(7,998)	(63,170)
Cash and cash equivalents at 1 January	56,142	89,280
Effect of foreign exchange rate changes	(1,034)	(1,444)
Cash and cash equivalents at end of the period	47,110	24,666
Represented by:		
Bank balances and cash	46,760	24,666
Bank balance and cash as held for sale	350	–
	47,110	24,666

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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”).

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 2021 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 2020 (the “2020 Financial Statement”).

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

For the six months ended 30 June 2021, the Group incurred a loss of approximately HK\$31,223,000 and as at 30 June 2021, the Group had net current liabilities of approximately HK\$190,100,000. The Group’s bank balances and cash amounted to approximately HK\$46,760,000, in contrast to its borrowings of approximately HK\$263,301,000 which are repayable within the next twelve months as disclosed in note 17.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

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

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

- (i) in negotiating with respective lenders to renew and extend existing borrowings upon their maturities;
- (ii) disposing a subsidiary which is principally engaged in investment property holding for a consideration of RMB40,000,000 (equivalent to approximately HK\$48,071,000) pursuant to the sale and purchase agreement entered on 15 March 2021, as disclosed in note 15 to the condensed consolidated financial statements, to increase the Group's liquid funds;
- (iii) implementing an active cost-saving measures to control administrative costs through various channels to improve operating cash flows at a level sufficient to finance the working capital requirements of the Group;
- (iv) 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; and
- (v) considering other financing arrangements, if necessary, with a view to increasing the Group's equity and liquidity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

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

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.

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 new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the 2020 Financial Statements.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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	
	2021 HK\$'000 (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Revenue from sales of finished goods of toy products	263,462	111,870

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 2021

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) profit 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 2021

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 2021 and 2020

	Securities investments		Toys		Medical and health		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Reportable segment revenue								
Revenue from external customers	-	-	263,462	111,870	-	-	263,462	111,870
Reportable segment profit (loss) before tax	93	(3,188)	(25,920)	(29,348)	-	(336)	(25,827)	(32,872)
Unallocated corporate income							2,634	8,994
Unallocated corporate expenses							(9,069)	(12,094)
Loss before tax							(32,262)	(35,972)
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	-	-	(5,134)	(5,281)	-	-	(5,134)	(5,281)
Depreciation of right-of-use assets	-	-	(738)	(630)	-	-	(738)	(630)
Write down of inventories, net	-	-	(517)	(352)	-	-	(517)	(352)
Gain (loss) on disposal of property, plant and equipment, net	-	-	64	(12)	-	-	64	(12)
Net realised gain (loss) on financial assets at fair value through profit or loss	100	(3,077)	-	-	-	-	100	(3,077)
Net unrealised loss on financial assets at fair value through profit or loss	-	(84)	-	-	-	-	-	(84)
Bank interest income	-	-	46	449	-	-	46	449
Interest expense	-	-	(5,969)	(4,431)	-	-	(5,969)	(4,431)
Research and development expenses	-	-	-	-	-	(336)	-	(336)
Purchases of property, plant and equipment	-	-	4,387	1,580	-	-	4,387	1,580

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 (unaudited)

	Securities investments HK\$'000	Toys HK\$'000	Medical and health HK\$'000	Total HK\$'000
Reportable segment assets	-	457,250	-	457,250
Unallocated corporate assets				127,887
Total assets				585,137
Reportable segment liabilities	-	(492,048)	-	(492,048)
Unallocated corporate liabilities				(84,029)
Total liabilities				(576,077)

As at 31 December 2020 (audited)

	Securities investments HK\$'000	Toys HK\$'000	Medical and health HK\$'000	Total HK\$'000
Reportable segment assets	1,770	369,448	-	371,218
Unallocated corporate assets				113,470
Total assets				484,688
Reportable segment liabilities	-	(386,909)	-	(386,909)
Unallocated corporate liabilities				(59,878)
Total liabilities				(446,787)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Net foreign exchange (loss) gain	(1,093)	4,002
Rental income	845	978
Loan interest income	97	481
Bank interest income	50	480
Government grants	–	84
Gain (loss) on disposal of property, plant and equipment, net	65	(12)
Mould income	663	–
Sundry income (note)	1,642	296
	2,269	6,309

Note:

During the current interim period, the Group recovered approximately USD1,173,000 (equivalent to approximately HK\$9,149,000) from an investment project in the past, which is net off with commission expenses paid to a consultant in relation to the investment project amounted to approximately USD986,000 (equivalent to approximately HK\$7,695,000).

6. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest on bank loans	3,206	3,845
Interest on short-term loans	2,002	177
Interest on corporate bonds	1,506	1,515
Interest on revolving loans	655	375
Interest on lease liabilities	88	135
	7,457	6,047

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

7. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
PRC Enterprise Income Tax ("EIT")		
Current period	–	607
Deferred tax credit	(1,039)	–
Income tax (credit) expense	(1,039)	607

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% 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 2021

8. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Employee benefit expense (including directors' remunerations):		
Wages and salaries	49,330	49,774
Other employee benefits	339	656
Contributions to defined contribution retirement plans	4,988	3,981
	54,657	54,411
Cost of inventories recognised as an expense (included in cost of sales) (note a)	256,746	119,743
Idle capacity cost (included in other operating expenses) (note b)	–	952
Depreciation of property, plant and equipment	5,860	5,471
Depreciation of right-of-use assets	1,974	1,540
Write down of inventories, net (included in cost of sales)	517	352
Operating lease charges in respect of land and buildings	303	1,029

Notes:

- (a) Cost of inventories included sub-contracting cost amounting to HK\$44,828,000 (2020: HK\$25,851,000).
- (b) During the six months period ended 30 June 2020, certain expenses of approximately HK\$952,000 directly related and attributable to COVID-19 were 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 factory was under an idle capacity or was not operational due to the respective social distancing and other measure imposed by government and the Group during the pandemic.

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 2021

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	(31,223)	(36,579)
	'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 period ended 30 June 2020 did 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. No diluted loss per share for the six-month period ended 30 June 2021 is presented as there were no potential dilutive shares in issue for the period.

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\$4,387,000 (for the six months ended 30 June 2020: HK\$5,010,000). The Group disposed of machinery and equipment with an aggregate carrying amount of approximately HK\$338,000 (for six months ended 30 June 2020: HK\$114,000).

During the current interim period, the Group extended into three new lease agreements for the use of an office and a staff quarter for one year and a factory for five months and entered into a new lease agreement for the use of a factory for three years, accordingly additional right-of-use assets amounted to HK\$4,391,000 (for six months ended 30 June 2020: HK\$821,000) 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 2021

12. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
Fair value	
At 31 December 2020 and 1 January 2021 (audited)	106,702
Reclassified as held-for-sale	(48,312)
Exchange adjustments	<u>1,218</u>
At 30 June 2021 (unaudited)	<u>59,608</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 2021 have been arrived at on the basis of a valuation carried out on the respective dates by the directors of the Company (31 December 2020: Roma Appraisals Limited).

For the investment properties located at Haikou City at the end of the current interim period, the valuation is arrived at by using a direct comparison approach (31 December 2020: 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

13. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 30 to 60 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 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
0 to 30 days	54,248	39,044
31 to 90 days	25,253	15,848
Over 90 days	119	884
	79,620	55,776

14. LOAN RECEIVABLES

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Fixed-rate loan receivables	17,202	17,124
Less: provision of expected credit loss ("ECL")	(15,337)	(15,337)
	1,865	1,787
Analysed as Current	1,865	1,787

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

14. LOAN RECEIVABLES (Continued)

As at 30 June 2021, the loans carry interest at fixed rates of 10% (2019: 10%) per annum and are repayable within one year (2019: all loans were repayable within one year).

During the year ended 31 December 2020, loans with gross carrying values of amounting to HK\$16,000,000 (2019: HK\$16,000,000) were entered into extension agreements to extend the maturity date to 7 February 2021. The lender of the loan with gross carrying values of amounting to RMB1,000,000, with maturity date on 29 April 2021, has been negotiating with the Group to renew and extend existing borrowing up to the reporting date.

As at 30 June 2021, the directors of the Company considered the loan receivables with gross carrying amount of HK\$16,000,000 were credit impaired (31 December 2020: HK\$16,000,000, credit impaired), whereas the credit risk of the loan receivable with carrying amount of RMB1,000,000 (equivalent to HK\$1,202,000) has increased significantly (31 December 2020: RMB1,000,000 (equivalent to HK\$1,124,000), its credit risk had increased significantly). 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 2021, in determining the expected credit losses 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.

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 2021

15. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 15 March 2021, Billion Pride Group Limited (“Billion Pride”), a direct wholly-owned subsidiary of the Company, and an independent third party (the “Purchaser”) entered into a sale and purchase agreement (the “Disposal Agreement”), pursuant to which Billion Pride has conditionally agreed to dispose to the Purchaser of its entire equity interest in Bright Triumph Development Limited (“Bright Triumph”), a direct wholly-owned subsidiary of Billion Pride, at a consideration of RMB40,000,000 (equivalent to approximately HK\$48,071,000). A deposit of RMB4,000,000 was received by the Group on 19 March 2021 and included in “Other payables and accruals”.

The major asset of Billion Triumph is investment property situated in Suzhou in the PRC. The assets and liabilities attributable to Billion Triumph, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of Bright Triumph classified as held for sale as at 30 June 2021 are as follow:

	At 30 June 2021 HK\$'000 (unaudited)
Property, plant and equipment	2,184
Investment property	48,312
Prepayments and other receivables	246
Bank balances and cash	350
Total assets classified as held for sale	51,092
Other payables and accruals	6,058
Deferred tax liabilities	5,933
Total liabilities classified as held for sale	11,991

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

16. TRADE PAYABLES

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

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
0 to 30 days	142,846	77,107
31 to 90 days	59,183	30,873
Over 90 days	39,030	32,610
	241,059	140,590

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 2021

17. BORROWINGS

	At 30 June 2021 (unaudited)		At 31 December 2020 (audited)	
	Contractual interest rate (%)	HK\$'000	Contractual interest rate (%)	HK\$'000
Bank loans – secured (note a)	Fixed rates of 3.10% to 5.00% per annum	167,301	Fixed rates of 3.60% to 5.22% per annum	156,906
Corporate bonds – secured (note b)	Fixed rate of 6.75% per annum	45,000	Fixed rate of 6.75% per annum	45,000
Term loans – secured (note c)	Fixed rate of 12.0% per annum	26,000	Fixed rate of 12.0% per annum	11,000
Sub-total of secured borrowings		238,301		212,906
Revolving loans – unsecured (note d)	Fixed rate of 12.0% per annum	25,000	Fixed rate of 12.0% per annum	20,000
		263,301		232,906
		At 30 June 2021 HK\$'000 (unaudited)		At 31 December 2020 HK\$'000 (audited)
Analysed as Current		263,301		232,906

The above loans are measured at amortised costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

17. BORROWINGS (Continued)

Notes:

- (a) The bank borrowings were secured by the Group's leasehold buildings and leasehold lands under right-of-use assets with aggregate carrying amount of approximately HK\$109,000,000 and HK\$3,514,000 respectively (31 December 2020: leasehold buildings and leasehold lands under right-of-use assets with aggregate carrying amount of approximately HK\$108,000,000 and HK\$3,586,000 respectively).

The total banking facilities granted to the Group amounted to RMB150,000,000 (equivalent to approximately HK\$180,267,000) (31 December 2020: RMB150,000,000 (equivalent to approximately HK\$178,232,000)) of which approximately RMB139,211,000 (equivalent to HK\$167,301,000) (31 December 2020: RMB141,768,000 (equivalent to approximately HK\$168,450,000)) were utilised as at 30 June 2021. On 26 March 2021, an extension agreement for the bank facilities was entered into between the Group and the bank to extend the facilities to 25 March 2022.

- (b) 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 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 has been extended to 30 September 2020. The corporate bonds then bear interest at 6.75% per annum from 7 December 2018 to 30 September 2020. On 27 December 2019, an extension deed had been signed, which the maturity date had been extended to 31 March 2021. On 29 March 2021, another extension deeds was signed, whereby the maturity date was further extended to 31 March 2022.

- (c) 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. The term loan is payable on its maturity date of 13 May 2021. On 13 March 2021, the Group has entered into an extension agreement to extend the maturity date to 13 May 2022.

On 25 January 2021, the Group obtained another term loan of HK\$15,000,000 at a fixed rate of 12% per annum from another independent third party, with a maturity in three months. The loan is secured by floating charge over all the undertaking, property and assets of a subsidiary of the Group to the lender. The term loan is payable on its maturity date of 27 April 2021. On 29 March 2021, the Group has entered into an extension agreement to extend the maturity date to 27 April 2022.

- (d) The revolving loan utilised with carrying amount of HK\$10,000,000 as at 30 June 2021 (31 December 2020: HK\$20,000,000), repayable within one year, has been granted by a substantial shareholder of the Company and guaranteed by the Company. The revolving loans had unutilised amount of HK\$40,000,000 (31 December 2020: HK\$30,000,000) as at 30 June 2021. On 8 October 2019, the Group has entered into an extension agreement to extend the maturity date to 30 September 2020. On 31 December 2019, the Group has entered into another extension agreement to further extend the maturity date to 31 March 2021. On 29 March 2021, the Group has entered into an extension agreement to further extend the maturity date to 31 March 2022.

Another revolving loan utilised with carrying amount of HK\$15,000,000 as at 30 June 2021 (31 December 2020: nil), repayable within one year, has been granted by an independent third party and guaranteed by the Company. The revolving loans had unutilised amount of HK\$35,000,000 (2019: HK\$50,000,000) as at 30 June 2021. The maturity date of the revolving loan is 23 May 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

18. SHARE CAPITAL

	Number of shares		Amount	
	'000	'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	7,000,000	7,000,000	700,000	700,000
Issued and fully paid:				
At 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	3,661,865	3,661,865	366,186	366,186

19. 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 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

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	2014 grant	-	-	-
	2015 grant	1,000	(1,000)	-
Other participants	2014 grant	-	-	-
	2015 grant	131,300	(131,300)	-
Total		132,300	(132,300)	-

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

20. CAPITAL COMMITMENTS

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Capital expenditure in respect of the construction of properties contracted for but not provided in the condensed consolidated financial statements	2,009	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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 an asset or a 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements and valuation processes (Continued)

(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 nil as at 30 June 2021 (31 December 2020: HK\$1,761,000). 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 2021 and 2020, 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 2021

22. MATERIAL RELATED PARTY TRANSACTIONS

During the six-month periods ended 30 June 2021 and 2020, the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 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	1,105	375

Compensation of key management personnel

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Short-term benefits	1,961	2,042
Post-employment benefits	21	23
	1,982	2,065

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

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23. DISPOSAL OF SUBSIDIARIES

During the six-months period ended 30 June 2020, 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 holds 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.

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

	Excellent Harvest	Amazing Express	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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	<u>(124)</u>	<u>(9)</u>	<u>(133)</u>
	<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 2021

24. EVENTS AFTER END OF THE REPORTING PERIOD

On 5 August 2021, Yi Nuo Technology (Suzhou) Company Limited (“Yi Nuo Technology (Suzhou)”), a wholly owned subsidiary of the Company, has received a summons from the Court of Shanghai Pudong New Area (the “Summons”). As set out in the Summons, the plaintiff (the “Plaintiff”) claimed against the first defendant (the “First Defendant”), a third party to the Group, and Yi Nuo Technology (Suzhou) for refund of a deposit of RMB20,000,000 (the “Deposit”) paid pursuant to a letter of intent on 6 September 2018 (as amended and supplemented by a supplemental letter of intent) (the “Letter of Intent”) and other related losses. Pursuant to the Letter of Intent, the First Defendant should help changing the usage of a parcel of land owned by Yi Nuo Technology (Suzhou) from industrial use to residential use and the Plaintiff should pay the Deposit to the First Defendant which would be used as part payment of the purchase price of the land if the relevant parties should have entered into a formal sale and purchase agreement. According to the Letter of Intent, Yi Nuo Technology (Suzhou) was jointly liable for the refund of the Deposit and such other liabilities that the First Defendant may have under the Letter of Intent.

The Company is currently investigating and seeking legal advice regarding the relevant proceedings and will assess if the legal proceedings will have any material impact on the disposal of a subsidiary as disclosed in note 15.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (30 June 2020: 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 19 to the condensed consolidated interim financial statements, as at 30 June 2021, 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 19 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 19 to the condensed consolidated interim financial statements, at no time during the six months ended 30 June 2021 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 2021, 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:

1. 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.
2. 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.
3. The percentage of shareholding is calculated on the basis of 3,661,864,729 shares of the Company in issue as at 30 June 2021.

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 2021 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 2021.

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 2021.

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 2021. 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 2021, 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, 30 August 2021