



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

2022

INTERIM REPORT

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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
“US\$”	United States dollars
“%”	per cent.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Deyong (*Chairman*)

Dr. Liao Wenjian

(*Chief Executive Officer*)

Non-executive Director

Mr. Lin Shaopeng

Independent Non-executive Directors

Mr. Kwok Kim Hung Eddie

Mr. Ng Wai Hung

Mr. Zhao Yong

AUDIT COMMITTEE

Mr. Kwok Kim Hung Eddie (*Chairman*)

Mr. Ng Wai Hung

Mr. Zhao Yong

REMUNERATION COMMITTEE

Mr. Ng Wai Hung (*Chairman*)

Mr. Kwok Kim Hung Eddie

Mr. Zhao Yong

NOMINATION COMMITTEE

Mr. Zhao Yong (*Chairman*)

Mr. Kwok Kim Hung Eddie

Mr. Ng Wai Hung

COMPANY SECRETARY

Mr. Lam Koon Fai

(*appointed on 19 May 2022*)

Mr. Wong Chi Kong

(*resigned on 19 May 2022*)

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

Room 2804, 28/F.

Tower One, Lippo Centre

89 Queensway

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

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

WEBSITE

<http://www.winshine.com>

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



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and trading of toys and securities investments.

For the interim period ended 30 June 2022, the relaxation of anti-epidemic measures in most overseas countries has a positive impact on consumer goods market. As a result, the Group recorded a revenue of HK\$497.2 million, representing an increase of 88.7% from the revenue of HK\$263.5 million for the interim period ended 30 June 2021.

During the interim period ended 30 June 2022, the revenue derived from securities investment is HK\$ Nil (for the interim period ended 30 June 2021: HK\$93,000).

Gross profit for the interim period ended 30 June 2022 amounted to approximately HK\$74.2 million, representing an increase of approximately HK\$68.0 million compared with that of approximately HK\$6.2 million for the interim period ended 30 June 2021.

The Group recorded a net profit of approximately HK\$13.0 million for the interim period ended 30 June 2022 and a net loss of approximately HK\$31.2 for the interim period ended 30 June 2021, representing an increase of approximately HK\$44.2 million.

Toys Division

For the interim period ended 30 June 2022, revenue of toys division increased by 88.7% to HK\$497.2 million. The revenue increase was mainly attributable to the increase in purchase orders from a major customer headquartered in the United States of America (the "USA").

The increase in the Toy's Division's gross profit were mainly attributable to the increase in selling price with the mentioned major customer and the decrease in cost of sales by streamlining the production processes through automation.

MANAGEMENT DISCUSSION AND ANALYSIS

Securities investments

As the Hong Kong stock market has no improvement, the Group continued to adopt a conservative strategy in managing its investment portfolio and has no longer hold any securities since 30 June 2021.

The securities investments division recorded a profit of HK\$93,000 in disposal all the securities hold by the Group for the interim period ended 30 June 2021.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30 June 2022, the Group had current assets of HK\$541,892,000 (31 December 2021: HK\$384,900,000) comprising cash and cash equivalents (excluding pledge bank deposits) of HK\$48,056,000 (31 December 2021: HK\$66,634,000). The Group's current ratio, calculated as current assets divided by current liabilities of HK\$744,237,000 (31 December 2021: HK\$617,339,000), remained at a ratio of 0.73 (31 December 2021: 0.62).

At the period end, the Group's borrowings at 30 June 2022 were all totalling HK\$251,022,000 (31 December 2021: HK\$263,567,000).

As of 30 June 2022, the capital deficiencies attributable to owners of the Company increased by 2.1% to HK\$101,025,000 (31 December 2021: HK\$98,942,000) mainly as a result of the exchange differences arising on translation of foreign operations outweigh the profit for 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 2022 was approximately 118% (31 December 2021: 123%).

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.



MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group were mainly carried and conducted in Hong Kong dollars, Renminbi and United States dollars. The Group maintained a prudent position in its foreign currency risk management. To a large extent, foreign exchange risks were minimised by matching the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures.

When considered appropriate, the Group would enter into various financial derivative instruments in order to mitigate foreign exchange rate exposure. In light of the above, it was considered that the Group's exposure to foreign exchange risks was not significant.

Charge on Assets

At 30 June 2022, the Group's certain leasehold buildings and prepaid land premium in PRC with aggregate carrying amount of HK\$106,136,000 (31 December 2021: HK\$106,207,000), and bank deposits of nil (31 December 2021: HK\$1,190,000) were pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

At 30 June 2022, the Group had no significant contingent liability (at 31 December 2021: HK\$10,725,000).

Capital Commitments

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had a total of approximately 3,300 (30 June 2021: 2,650) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

As we enter into the second half of 2022, we have seen a gradual market recovery along with the effective control of the pandemic by the government and the recovery of the toys business. However, a general slowdown in economy or an uncertain economic outlook would adversely affect consumer spending habits. Despite the above challenges, we remain confident in the long-term growth of USA's economy and the continuous improvement of toys consumption.

Affected by global inflation and commodity prices, the operation and production costs of enterprises have increased significantly, the Group will invest in production automation facilities to achieve higher production efficiency and cost effectiveness, thereby further improving the Group's profit margin.

The Group will continue to deepen product upgrades and optimise its product portfolio, so as to achieve product diversification to facilitate business expansion into different regions and markets, thereby creating unlimited business opportunities for the Group and increasing its competitiveness and market share. In addition, we will continue to create higher value for our customers, so as to help the Group to establish long-term and good cooperative relationships with our customers, and promote more sustainable and stable business development.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	4	497,188	263,462
Cost of sales		(422,979)	(257,278)
Gross profit		74,209	6,184
Other income, gains and losses	5	7,769	2,269
Loss on disposal of subsidiaries	21	(3,297)	–
Selling and distribution costs		(10,561)	(2,304)
Administrative expenses		(40,141)	(26,922)
Net realised gain on financial assets at fair value through profit or loss		–	100
Other operating expenses		(6,951)	(4,132)
Finance costs	6	(7,554)	(7,457)
Profit (loss) before tax		13,474	(32,262)
Income tax (expense) credit	7	(488)	1,039
Profit (loss) for the period	8	12,986	(31,223)
Profit (loss) for the period attributable to owners of the Company		12,986	(31,223)
Earnings (loss) per share			
Basic and diluted	10	HK0.35 cent	(HK0.85 cent)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Profit (loss) for the period	12,986	(31,223)
Other comprehensive (expense) income		
<i>Items that will not be reclassified to profit or loss:</i>		
Gain on revaluation of properties	–	2,160
Deferred tax charge arising from revaluation surplus of properties	–	(864)
	–	1,296
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on arising on translation of foreign operations	(17,945)	1,086
Release of exchange reserve upon disposal of a subsidiary	2,876	–
	(15,069)	1,086
Other comprehensive (expense) income for the period	(15,069)	2,382
Total comprehensive expense for the period	(2,083)	(28,841)
Total comprehensive expense for the period attributable to owners of the Company	(2,083)	(28,841)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Notes	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	104,804	106,673
Right-of-use assets	11	13,643	14,190
Investment properties		4,911	44,276
Rental deposit		–	309
Investment in associates		10,000	–
		133,358	165,448
Current assets			
Inventories		189,620	113,864
Trade receivables	12	225,600	134,162
Loan receivables	13	–	–
Prepayments, deposits and other receivables		27,201	15,603
Pledged bank deposits		–	1,190
Bank balances and cash		48,056	66,634
		490,477	331,453
Assets classified as held for sale	14	51,415	53,447
		541,892	384,900
Current liabilities			
Trade payables	15	388,432	254,353
Other payables and accruals		75,053	83,385
Contract liabilities		1,596	2,954
Borrowings	16	251,022	263,567
Lease liabilities		4,260	4,769
Tax payables		3,407	2,931
		723,770	611,959
Liabilities associated with assets classified as held for sale	14	20,467	5,380
		744,237	617,339
Net current liabilities		(202,345)	(232,439)
Total assets less current liabilities		(68,987)	(66,991)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	<i>Notes</i>	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities		8,479	8,285
Deferred tax liabilities		23,559	23,666
		32,038	31,951
Net liabilities		(101,025)	(98,942)
Capital and reserves			
Share capital	17	366,186	366,186
Deficit		(467,211)	(465,128)
Capital deficiencies		(101,025)	(98,942)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to owners of the Company							(Capital deficiencies)/ total equity
	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 2022 (audited)	366,186	942,400	49,551	11,744	-	33,262	(1,502,085)	(98,942)
Profit for the period	-	-	-	-	-	-	12,986	12,986
Other comprehensive income for period	-	-	-	-	-	(15,069)	-	(15,069)
Total comprehensive income (expense) for the period	-	-	-	-	-	(15,069)	12,986	(2,083)
At 30 June 2022 (unaudited)	366,186	942,400	49,551	11,744	-	18,193	(1,489,099)	(101,025)
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 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

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 capitalization into share capital, provided that the remaining balance is not less than 20% of the registered capital of the entity after such capitalization.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Net cash used in operating activities	(5,293)	(28,266)
Investing activities		
Proceeds from disposal of financial assets at fair value through profit or loss	–	1,861
Purchases of property, plant and equipment	(6,129)	(4,387)
Interest received	41	50
Net cash inflow from disposal of subsidiaries	13,111	–
Withdrawal of pledgee bank deposits	1,190	3,498
Proceed from disposal of property, plant and equipment	398	79
Net cash from investing activities	8,611	1,101
Financing activities		
Proceeds from borrowings	252,573	196,407
Repayment of borrowings	(258,338)	(167,816)
Repayments of lease liabilities	(1,844)	(1,869)
Interest paid	(7,554)	(7,555)
Net cash from financing activities	(15,163)	19,167
Net decrease in cash and cash equivalents	(11,845)	(7,998)
Cash and cash equivalents at 1 January	66,634	56,142
Effect of foreign exchange rate changes	(5,214)	(1,034)
Cash and cash equivalents at end of the period	49,575	47,110
Represented by:		
Bank balances and cash	48,056	46,760
Bank balance and cash as held for sale	1,519	350
	49,575	47,110

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. CORPORATE INFORMATION

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 Room 2804, 28/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong. The Company's shares are listed on The Main Board of 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 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 2022 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 2021 (the "2021 Financial Statement").

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

For the six months ended 30 June 2022, the Group incurred a profit of approximately HK\$12,986,000 and as at 30 June 2022, the Group had net current liabilities of approximately HK\$202,345,000. The Group's bank balances and cash amounted to approximately HK\$48,056,000, in contrast to its borrowings of approximately HK\$251,022,000 which are repayable within the next twelve months as disclosed in note 16.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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) negotiating with respective lenders to renew and extend existing borrowings upon their maturities;
- (ii) 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;
- (iii) reviewing its investments and actively considering to realise certain of investment properties in order to enhance the cash flow position of the Group whenever it is necessary; and pursuant to the sales and purchase agreement entered into with an independent third party on 21 March 2022, 60% of the total issued share capital of, and 60% of the shareholder's loan owed by a subsidiary of the Company, which was principally engaged in investment holding, has been disposed of at a consideration of HK\$15,000,000; and
- (iv) considering other financing arrangements, if necessary, with a view to increasing the Group's equity and liquidity.

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 2022

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 2022 are the same as those presented in the 2021 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 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment-Proceeds before intended use
Amendments to HKAS 37	Onerous Contract – Costs of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvement to HKFRSs 2018-2020

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.

4. REVENUE AND OPERATING SEGMENTS

Revenue represents revenue arising on sale of toy products for the period. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4. REVENUE AND OPERATING SEGMENTS (Continued)

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue from sales of finished goods of toy products	497,188	263,462

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 two 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.

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 profit (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 2022

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 2022 and 2021

	Securities investments		Toys		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Reportable segment revenue						
Revenue from external customers	–	–	497,188	263,462	497,188	263,462
Reportable segment profit (loss) before tax	–	93	33,011	(25,920)	33,011	(25,827)
Unallocated corporate income					3,623	2,634
Unallocated corporate expenses					(23,160)	(9,069)
Profit (loss) before tax					13,474	(32,262)
Other segment information (included in the measured of segment profit or loss or regularly provided to chief operating decision maker)						
Depreciation of property, plant and equipment	–	–	(6,077)	(5,134)	(6,077)	(5,134)
Depreciation of right-of-use assets	–	–	–	(738)	–	(738)
Write down of inventories, net	–	–	(4,882)	(517)	(4,882)	(517)
Gain on disposal of property, plant and equipment, net	–	–	398	64	398	64
Net realised gain on financial assets at fair value through profit or loss	–	100	–	–	–	100
Bank interest income	–	–	31	46	31	46
Interest expenses	–	–	(5,735)	(5,969)	(5,735)	(5,969)
Purchases of property, plant and equipment	–	–	6,109	4,387	6,109	4,387

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 (unaudited)

	Securities investments HK\$'000	Toys HK\$'000	Total HK\$'000
Reportable segment assets	–	589,864	589,864
Unallocated corporate assets			<u>85,386</u>
Total assets			<u>675,250</u>
Reportable segment liabilities	–	(664,844)	(664,844)
Unallocated corporate liabilities			<u>(111,431)</u>
Total liabilities			<u>(776,275)</u>

As at 31 December 2021 (audited)

	Securities investments HK\$'000	Toys HK\$'000	Total HK\$'000
Reportable segment assets	–	424,324	424,324
Unallocated corporate assets			<u>126,024</u>
Total assets			<u>550,348</u>
Reportable segment liabilities	–	(529,296)	(529,296)
Unallocated corporate liabilities			<u>(119,994)</u>
Total liabilities			<u>(649,290)</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Net foreign exchange gain (loss)	2,440	(1,093)
Rental income	744	845
Loan interest income	–	97
Bank interest income	34	50
Government grants	92	–
Gain on disposal of property, plant and equipment, net	398	65
Mould income	1,313	663
Investment project recovery (<i>note</i>)	–	1,454
Sundry income	2,748	188
	7,769	2,269

Note:

During the six months ended 30 June 2021, 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	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Interest on bank loans	2,905	3,206
Interest on short-term loans	2,018	2,002
Interest on corporate bonds	1,506	1,506
Interest on revolving loans	736	655
Interest on lease liabilities	389	88
	7,554	7,457

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

7. INCOME TAX (EXPENSE) CREDIT

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
The PRC Enterprise Income Tax ("EIT") Current period	(488)	–
Deferred tax credit	–	1,039
Income tax (expense) credit	(488)	1,039

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 periods.

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 2022

8. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Employee benefit expense (including directors' remunerations):		
Wages and salaries	111,400	49,330
Other employee benefits	660	339
Contributions to defined contribution retirement plans	6,017	4,988
	118,077	54,657
Cost of inventories recognised as an expense (included in cost of sales) (note a)	427,678	256,746
Depreciation of property, plant and equipment	6,163	5,860
Depreciation of right-of-use assets	2,213	1,974
Write down of inventories, net (included in cost of sales)	4,882	517
Lease payments not included in the measurement of lease liabilities	372	303

Notes:

- (a) Cost of inventories included sub-contracting cost amounting to HK\$66,942,000 (2021: HK\$44,828,000).

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 2022

10. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Earnings (loss)		
Profit (loss) attributable to owners of the Company for the purposes of basic and diluted loss per share	12,986	(31,223)
	'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

No diluted earning (loss) per share for the both six-month period 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\$6,130,000 (six months ended 30 June 2021: HK\$4,387,000). The Group disposed of machinery and equipment with an aggregate carrying amount of approximately HK\$231,000 (six months ended 30 June 2021: HK\$338,000).

During the current interim period, the Group extended into a new lease agreements for the use of an office, accordingly additional right-of-use assets amounted to HK\$2,020,000 (six months ended 30 June 2021: HK\$4,391,000) 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 2022

12. 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 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
0 to 30 days	140,245	85,010
31 to 90 days	83,751	48,239
Over 90 days	1,604	913
	225,600	134,162

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

13. LOAN RECEIVABLES

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Fixed-rate loan receivables	17,169	17,223
Less: provision of expected credit loss ("ECL")	(17,169)	(17,223)
	—	—
Analysed as		
Current	—	—

As at 30 June 2022, the loans carry interest at fixed rates of 10% (31 December 2021: 10%) per annum and are repayable within one year (31 December 2021: 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 were entered into extension agreements to extend the maturity date to 7 February 2021. As at 30 June 2022, the directors of the Company considered the loan receivables with gross carrying amount of HK\$16,000,000 and RMB1,000,000 (equivalent to approximately HK\$1,169,000) were credit impaired. (31 December 2021: loan receivables with gross carrying amount of HK\$16,000,000 and RMB1,000,000 (equivalent to approximately HK\$1,223,000) were credit 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

13. LOAN RECEIVABLES (Continued)

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 2022, 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.

Provision of ECL for loan receivables is assessed on 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. The gross carrying amount of HK\$17,169,000 (31 December 2021: HK\$17,223,000) is assessed on the lifetime ECL. The provision of ECL on the loan receivables amounted of HK\$17,169,000 has been provided as at 30 June 2022 (31 December 2021: HK\$17,223,000).

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

14. ASSETS CLASSIFIED AS HELD FOR SALE (LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE)

On 15 November 2021, the Company, Billion Pride Group Limited, a direct wholly-owned subsidiary of the Company, being the vendor (the “Vendor”) and an independent third party, being the purchaser (the “Purchaser”) entered into a sale and purchase agreement (the “Disposal Agreement”), pursuant to which, the Vendor agreed to sell, and the Purchaser agreed to acquire all the issued shares of Bright Triumph Development Limited (“Bright Triumph”, together with its subsidiaries, the “Target Group”) and the current account between the Target Group and the Vendor in an aggregate amount of approximately HK\$134,429,000, at a consideration of HK\$49,000,000. A deposit of HK\$28,537,000 (representing 60% of the consideration, amounted to HK\$29,400,000, with HK\$863,000 being outstanding from the Purchaser) was received and included in “Other payables and accruals”. The major asset being disposed is investment property situated in Suzhou in the PRC. The assets and liabilities attributable to Bright 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 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 2022 and 31 December 2021 are as follow:

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Property, plant and equipment	2,481	1,693
Investment property	47,357	49,535
Prepayments and other receivables	58	1,047
Bank balances and cash	1,519	1,172
Total assets classified as held for sale	51,415	53,447
Other payables and accruals	20,467	5,380
Total liabilities classified as held for sale	20,467	5,380

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

15. TRADE PAYABLES

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

	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
0 to 30 days	238,501	138,740
31 to 90 days	117,160	49,627
Over 90 days	32,771	65,986
	388,432	254,353

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 2022

16. BORROWINGS

	At 30 June 2022 (unaudited)		At 31 December 2021 (audited)	
	Contractual interest rate (%)	HK\$'000	Contractual interest rate (%)	HK\$'000
Bank loans – secured (note a)	Fixed rates of 3.10% to 4.50% per annum	140,022	Fixed rates of 3.10% to 5.00% per annum	167,567
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	17,000	Fixed rate of 12.0% per annum	17,000
Term loans – secured (note d)	Fixed rate of 12.0% per annum	15,000	Fixed rate of 12.0% per annum	15,000
Sub-total of secured borrowings		217,022		244,567
Revolving loans – unsecured (note e)	Fixed rate of 12.0% per annum	15,000	Fixed rate of 12.0% per annum	–
– unsecured (note f)	Fixed rate of 7.0% per annum	19,000	Fixed rate of 12.0% per annum	19,000
Subtotal of unsecured borrowings		34,000		19,000
		251,022		263,567
		At 30 June 2022 HK\$'000 (unaudited)		At 31 December 2021 HK\$'000 (audited)
Analysed as Current		251,022		263,567

The above loans are measured at amortised costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

16. 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\$102,765,000 and HK\$3,371,000 respectively (31 December 2021: leasehold buildings and leasehold lands under right-of-use assets with aggregate carrying amount of approximately HK\$102,765,000 and HK\$3,442,000 respectively).

On 15 March 2022, an extension agreement for the bank facilities was entered between the group and the bank, of which the total banking facilities granted revised to RMB141,000,000, (equivalent to approximately HK\$164,874,000) (31 December 2021: RMB150,000,000 (equivalent to approximately HK\$ HK\$183,464,000) and extend the facilities to 9 March 2023.

The total banking facilities utilised with carrying amount of RMB119,746,000 (equivalent to approximately HKD140,022,000) (31 December 2021: RMB140,247,000 (equivalent to HK\$171,534,000) as at 30 June 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. On 29 March 2022, another extension deeds were signed whereby the maturity date was further extended to 31 March 2023.

- (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 30 June 2021, an additional loan was obtained from the same independent third party amounted of HK\$6,000,000 under the same term. On 19 April 2022, the Group had extended the maturity date to 13 May 2023.

- (d) 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 one year. The loan is secured by first 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 had entered into an extension agreement to extend the maturity date to 27 April 2022. On 19 April 2022, the Group had extended the maturity date to 27 April 2023.

- (e) The revolving loan was granted by a substantial shareholder of the Company, guaranteed by the Company and repayable within one year. On 8 October 2019, the Group entered into an extension agreement to extend the maturity date to 30 September 2020. On 31 December 2019, the Group entered into another extension agreement to further extend the maturity date to 31 March 2021. According to the extension deed, a first floating charge incorporated over the assets of a subsidiary of the Group as a security to the lender, which was executed on 7 February 2020. On 29 March 2021, the Group entered into an extension agreement to further extend the maturity date to 31 March 2022. The revolving loans utilized with carrying amount of HK\$20,000,000 and had an unutilised amount of HK\$30,000,000 as at 31 December 2020. During the year ended 31 December 2021, the whole outstanding amount of the revolving loans was repaid.

On 23 May 2022, an additional loan was obtained from the same independent third party amounted of HK\$15,000,000 under the same terms and the maturity date is 31 March 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

16. BORROWINGS (Continued)

Notes: (Continued)

- (f) On 24 May 2021, the Group has obtained a revolving loan for an aggregate principal amount of HK\$50,000,000 at a fixed rate of 12% per annum from an independent third party, with a maturity in one year. The loan is guaranteed by the Company. The revolving loans had unutilised with amount of HK\$31,000,000 as at 30 June 2022 (31 December 2021: HK\$31,000,000). On 19 April 2022, the Group entered into an extension agreement to further extend the maturity date to 24 May 2023.

17. SHARE CAPITAL

	Number of shares		Amount	
	'000	'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At 1 January 2021 (audited), 31 December 2021 (audited) and 30 June 2022 (unaudited)	7,000,000	7,000,000	700,000	700,000
Issued and fully paid:				
At 1 January 2021 (audited), 31 December 2021 (audited) and 30 June 2022 (unaudited)	3,661,865	3,661,865	366,186	366,186

18. CAPITAL COMMITMENTS

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Capital expenditure in respect of the property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	–	2,293

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

19. 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 2022

19. 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 2022 (31 December 2021: HK\$Nil). 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 2022 and 2021, 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 2022

20. MATERIAL RELATED PARTY TRANSACTIONS

During the six-month periods ended 30 June 2022 and 2021, the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 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	183	1,105

Compensation of key management personnel

The remuneration of directors and other members of key management during the six-month periods ended 30 June 2022 and 2021 was as follows:

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Short-term benefits	1,870	1,961
Post-employment benefits	24	21
	1,894	1,982

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

21. DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2022, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 60% equity interest in Enormous Fortune Business Limited (“Enormous Fortune”), incorporated in the British Virgin Islands and indirectly holds 100% equity interest in a company established in the PRC whose main assets are the Hainan Properties and at a cash consideration of HK\$15,000,000. The disposal was completed on 21 March 2022, on which date the Group lost control of the Enormous Fortune.

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

	HK\$'000
Property, plant and equipment	1
Investment property	37,418
Prepayments and other receivables	2
Bank balances and cash	152
Shareholders' loans	(66,549)
Other payables and accruals	(6,295)
Deferred tax liabilities	(105)
Net liabilities disposed of	(35,376)
Total cash consideration	15,000
Fair value of interest retained	10,000
Assignment of shareholder's loans	(66,549)
Net liabilities disposed of	35,376
Release of exchange reserve	2,876
Loss on disposal of subsidiaries	(3,297)
Net cash inflow arising on disposal:	
Cash consideration to be received	15,000
Less: Bank balances and cash disposed of	(152)
	14,848

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

22. EVENTS AFTER END OF THE REPORTING PERIOD

On 1 August 2022, Billion Pride Group Limited (the “Borrower”), a wholly-owned subsidiary of the Company, and Zhang Qunying (the “Lender”), being the purchaser of the Disposed Shares and the Disposed Loan under the Disposal Agreement, the details of which are set out in the announcement of the Company dated 21 March 2022, entered into the Loan Agreement, pursuant to which, the Lender has agreed to grant the Loan in the amount of HK\$5,000,000 to the Borrower at an interest rate of 2.5% per month for a term of one (1) year. The Loan is secured by the Share Mortgage and the Deed of Assignment. Pursuant to the terms of the Loan Agreement, the Call Option Deed was also entered into between the Borrower and the Lender on 1 August 2022. Details please refer to the announcement of the Company dated 1 August 2022.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (30 June 2021: nil).

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

Long positions in the shares and underlying shares of the Company

As at 30 June 2022, 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

The existing share option scheme of the Company (the "Scheme") was adopted pursuant to a resolution passed on 25 July 2014. Unless otherwise cancelled or amended, the Scheme will be valid and effective for a period of 10 years commencing on the adoption date. The purpose of the Scheme is to reward participants (the "Grantees", including but not limited to directors, employees and other participants of the Group) who have contributed or will contribute to the Group and to encourage Grantees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

On 10 April 2020, all the outstanding share options was lapsed. There were no outstanding share options during the six months ended 30 June 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES", at no time during the six months ended 30 June 2022 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 2022, 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 2022.

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 2022 as required pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022 except for the following deviation with reason as explained.

Responsibilities of Directors

Code Provision C.1.6

Pursuant to Code C.1.6, the independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Deviation

One Non-executive Director of the Company was unable to attend the annual general meeting of the Company held on 24 June 2022 due to other prior business engagement. However, there were two Executive Directors and three Independent Non-executive Directors presented at the meeting to enable the Board to develop a balanced understanding of the views of shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made with the Directors and they have confirmed their compliance with the Own Code and the Model Code during the six months ended 30 June 2022.

UPDATE ON DIRECTORS' INFORMATION

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

1. Mr. Ng Wai Hung resigned as the independent non-executive director of 1957 & Co. (Hospitality) Limited, a company listed on The Stock Exchange (stock code: 8495) on 19 August 2022.



OTHER INFORMATION

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 2022. 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 2022, 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, 31 August 2022