WINSHINE
中國瀛晟

# WINSHINE ENTERTAINMENT & MEDIA HOLDING COMPANY LIMITED
# 中國瀛晟娛樂傳媒控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 209)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Board of Directors (the "Board") of Winshine Entertainment & Media Holding Company Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2015 together with comparative figures as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2015*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2015** | 2014 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) |
| | | | (restated) |
| **Continuing operations** | | | |
| **Revenue** | *4* | **72,049** | 108,044 |
| Cost of sales | | **(74,262)** | (107,004) |
| **Gross (loss) profit** | | **(2,213)** | 1,040 |
| Other income and gain | *5* | **5,312** | 3,533 |
| Selling and distribution costs | | **(3,311)** | (2,944) |
| Administrative expenses | | **(83,982)** | (24,857) |
| Changes in fair value of trading securities | | **8,545** | (3,296) |
| Other operating expenses | | **(14,357)** | (4,977) |
| Finance costs | | **(2,629)** | (2,166) |
| **Loss before taxation from continuing operations** | *6* | **(92,635)** | (33,667) |
| Income tax expense | *7* | **–** | – |
| **Loss for the period from continuing operations** | | **(92,635)** | (33,667) |
| **Discontinued operation** | | | |
| Loss for the period from discontinued operation | *8* | **–** | (3,902) |
| **Loss for the period** | | **(92,635)** | (37,569) |

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2015** | 2014 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) |
| | | | (restated) |
| **Attributable to:** | | | |
| Owners of the Company | | **(92,635)** | (36,878) |
| Non-controlling interests | | **–** | (691) |
| | | **(92,635)** | (37,569) |
| **Loss per share** | | | |
| From continuing and discontinued operations | | | |
| Basic and diluted | *9* | **(HK4.25 cents)** | (HK2.19 cents) |
| From continuing operations | | | |
| Basic and diluted | *9* | **(HK4.25 cents)** | (HK2.00 cents) |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*For the six months ended 30 June 2015*

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| | | (restated) |
| **Loss for the period** | **(92,635)** | (37,569) |
| **Other comprehensive loss for the period** | | |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translating foreign operations | **(86)** | (2,844) |
| Cumulative exchange loss relating to foreign operation disposed of during the period | **49** | – |
| Other comprehensive loss for the period, net of tax | **(37)** | (2,844) |
| **Total comprehensive loss for the period** | **(92,672)** | (40,413) |
| Total comprehensive loss attributable to: | | |
| Owners of the Company | **(92,672)** | (39,517) |
| Non-controlling interests | **–** | (896) |
| | **(92,672)** | (40,413) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2015*

| | Notes | At 30 June 2015 HK$'000 (unaudited) | At 31 December 2014 HK$'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **119,672** | 121,494 |
| Prepaid land premiums | | **4,473** | 4,547 |
| Refundable deposits | | **100,000** | 100,000 |
| | | **224,145** | 226,041 |
| **Current assets** | | | |
| Trading securities | | **180,838** | 14,232 |
| Inventories | | **97,028** | 78,425 |
| Prepaid land premiums | | **152** | 152 |
| Trade receivables | *11* | **22,924** | 56,390 |
| Loan receivables | | **96,000** | – |
| Prepayments, deposits and other receivables | | **13,644** | 9,051 |
| Pledged bank deposits | | **11,515** | 2,997 |
| Cash and cash equivalents | | **21,560** | 145,879 |
| | | **443,661** | 307,126 |
| **Current liabilities** | | | |
| Trade and bills payables | *12* | **52,131** | 68,077 |
| Other payables and accruals | | **37,705** | 35,827 |
| Borrowings | | **127,565** | 112,503 |
| Tax payables | | **2,966** | 3,382 |
| | | **220,367** | 219,789 |
| **Net current assets** | | **223,294** | 87,337 |
| **Total assets less current liabilities** | | **447,439** | 313,378 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **6,459** | 7,569 |
| **Net assets** | | **440,980** | 305,809 |
| **Equity** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **248,409** | 202,369 |
| Reserves | | **192,571** | 103,440 |
| **Total equity** | | **440,980** | 305,809 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2015*

### 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. and its principal place of business is located at Suite 1510, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are manufacturing and trading of toys and securities investments. The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

### 2. STATEMENT OF COMPLIANCE

These condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting ("HKAS 34")" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2014, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs"). The condensed consolidated financial statements do not include all the information and disclosures required for an annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2014.

The measurement basis used in the preparation of these financial statements is the historical cost basis except for certain properties and financial instruments that are measured at fair values. These financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company and all amounts are rounded to the nearest thousand except where otherwise indicated.

## 3. APPLICATION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted the following new and revised HKFRSs issued by the HKICPA that are first effective for the current accounting period.

| | |
|---|---|
| Amendments to HKAS19 | Defined Benefit Plans: Employee Contribution |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010 – 2012 Cycle |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011 – 2013 Cycle |

The application of the above new and revised HKFRSs has had no material effect on the condensed consolidated interim financial statements of the Group for the current or prior accounting periods.

## 4. SEGMENT REPORTING

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and dividend income from the Group's securities investments.

An analysis of the Group's revenue is as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| | | (restated) |
| **Continuing operations** | | |
| **Revenue** | | |
| Sale of goods | **72,049** | 108,044 |

The Group is organised and its businesses are managed by divisions, which are a mixture of both business lines and geographical location. However, based on the information that is reported internally to the executive directors of the Company, being the chief operating decision maker of the Group, for the purposes of resources allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

1. Securities investments: this segment derives its revenue from dividends received from equity securities investments.

2. Manufacturing and trading of toys: this segment derives its revenue from manufacturing and trading of toys (the "Toys Segment").

During the year ended 31 December 2014, the Group disposed of its manufacturing and sale of beverage products segment (the "Beverage Segment"). The Beverage Segment was classified as discontinued operation as described in note 8.

In accordance with HKFRS 8, segment information disclosed in these condensed consolidated financial statements has been prepared in a manner consistent with the information used by the chief operating decision maker for the purposes of assessing segment performance and allocating resources among segments. In this regard, the chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

All assets are allocated to reportable segments other than refundable deposits, certain property, plant and equipment, loan receivables, certain prepayments and certain cash and cash equivalents, 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 or loss before taxation exclude unallocated interest income and unallocated corporate expenses which are not directly attributable to the business activities of any operating segment.

**(a) Segment results, assets and liabilities**

For the periods ended 30 June 2015 and 2014

| | Continuing operations | | | | | |
|---|---|---|---|---|---|---|
| | Securities investments | | Manufacturing and trading of toys | | Total | |
| | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Reportable segment revenue** | | | | | | |
| Revenue from external customers | **–** | – | **72,049** | 108,044 | **72,049** | 108,044 |
| **Reportable segment profit (loss) before taxation** | **7,551** | (3,492) | **(25,180)** | (25,755) | **(17,629)** | (29,247) |
| Unallocated corporate income | | | | | **1,337** | – |
| Unallocated corporate expenses | | | | | **(76,343)** | (4,420) |
| **Loss before taxation from continuing operations** | | | | | **(92,635)** | (33,667) |
| **Other segment information (included in the measure of segment profit or loss or regularly provided to chief operating decision maker)** | | | | | | |
| Depreciation of property, plant and equipment | **–** | – | **(4,503)** | (4,748) | **(4,503)** | (4,748) |
| Amortisation of prepaid land premiums | **–** | – | **(74)** | (76) | **(74)** | (76) |
| Impairment loss of trade receivables | **–** | – | **1,743** | – | **1,743** | – |
| Write down of inventories, net | **–** | – | **–** | (7,216) | **–** | (7,216) |
| (Loss) gain on disposal of property, plant and equipment, net | **–** | – | **(63)** | 28 | **(63)** | 28 |
| Changes in fair value of trading securities | **8,545** | (3,296) | **–** | – | **8,545** | (3,296) |
| Bank interest income | **1** | – | **12** | 35 | **13** | 35 |
| Interest expense | **–** | – | **(2,629)** | (2,166) | **(2,629)** | (2,166) |
| **Addition to non-current assets** | | | | | | |
| Property, plant and equipment | **–** | – | **1,223** | 2,042 | **1,223** | 2,042 |

**(b) Reconciliation of reportable segment assets and liabilities**

**As at 30 June 2015**

| | **Securities investments** *HK$'000* | **Manufacturing and trading of toys** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| Reportable segment assets | **182,823** | **271,924** | **454,747** |
| Unallocated corporate assets | | | **213,059** |
| Total assets | | | **667,806** |
| Reportable segment liabilities | **–** | **(218,192)** | **(218,192)** |
| Unallocated corporate liabilities | | | **(8,634)** |
| Total liabilities | | | **(226,826)** |

As at 31 December 2014

| | Continuing operations | | |
|---|---|---|---|
| | Securities investments *HK$'000* | Manufacturing and trading of toys *HK$'000* | Total *HK$'000* |
| Reportable segment assets | 14,899 | 298,794 | 313,693 |
| Unallocated corporate assets | | | 219,474 |
| Total assets | | | 533,167 |
| Reportable segment liabilities | – | (221,334) | (221,334) |
| Unallocated corporate liabilities | | | (6,024) |
| Total liabilities | | | (227,358) |

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

## 5. OTHER INCOME AND GAIN

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| | | (restated) |
| Continuing operations | | |
| Bank interest income | **13** | 35 |
| Other interest income | **1,336** | – |
| Gain on disposal of a subsidiary | **1,717** | – |
| Mould income | **889** | 1,568 |
| Sublet rental income | **–** | 356 |
| Subcontracting income | **–** | 575 |
| Sundry income | **1,357** | 999 |
| | **5,312** | 3,533 |

## 6. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

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

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| | | (restated) |
| Continuing operations | | |
| Employee benefit expense (including directors' remuneration): | | |
| Wages and salaries | **47,905** | 61,264 |
| Other employee benefits | **1,992** | 1,438 |
| Contributions to defined contribution retirement plans | **6,487** | 5,700 |
| Equity-settled share-based payments | **51,100** | – |
| | **107,484** | 68,402 |
| Cost of inventories | **72,398** | 106,465 |
| Depreciation of property, plant and equipment | **4,522** | 4,830 |
| Amortisation of prepaid land premiums | **74** | 76 |
| Loss on disposal of property, plant and equipment | **63** | 320 |
| Impairment loss of trade receivables | **1,743** | – |
| Interest on borrowings wholly repayable within five years | **2,629** | 2,166 |
| Fair value loss on derivative financial instruments | **–** | 4,467 |

## 7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been calculated at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. No Hong Kong Profits Tax has been provided for in the condensed consolidated financial statements as the Group has no assessable profits for both periods.

The tax affairs of a subsidiary (incorporated in Hong Kong) of the Group for the period starting from 1 January 2004 are currently under field audit by the Hong Kong Inland Revenue Department ("IRD"). The directors, after consultation with the subsidiary's tax advisers, consider that the IRD is still in the information gathering stage and it is premature to quantify the amount of potential liabilities of the subsidiary, if any, that may arise.

Enterprise Income Tax in the PRC has been calculated based on the estimated assessable profits of subsidiaries operating in the PRC at 25%. No Enterprise Income Tax in the PRC has been provided in the condensed consolidated financial statements as the Group has no assessable profits for the periods.

## 8. DISCONTINUED OPERATION

During the year ended 31 December 2014, the Group's operation in respect of the Beverage Segment was discontinued. The combined result for the six months ended 30 June 2014 has been re-presented. The loss and cash flows from discontinued operation for the six months ended 30 June 2014 was analysed as follows:

| | Six months ended 30 June 2014 *HK$'000* |
|---|---|
| Revenue | 2,561 |
| Cost of sales | (1,841) |
| Gross profit | 720 |
| Other income and gain | 1,185 |
| Selling and distribution costs | (322) |
| Administrative expenses | (5,320) |
| Other operating expenses | (181) |
| Loss before taxation | (3,918) |
| Income tax credit | 16 |
| Loss for the period from discontinued operation | (3,902) |
| **Loss for the period from discontinued operation attributable to:** | |
| Owners of the Company | (3,211) |
| Non-controlling interests | (691) |
| | (3,902) |
| **Loss for the period from discontinued operation is arrived at after charging (crediting):** | |
| Cost of inventories | 1,841 |
| Depreciation of property, plant and equipment | 1,039 |
| Amortisation of intangible assets | 63 |
| Bank interest income | (1,185) |
| **Cash flows from discontinued operation** | |
| Net cash used in operating activities | (578) |

## 9. LOSS PER SHARE

**From continuing and discontinued operations**

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 | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Loss** | | |
| Loss attributable to owners of the Company for the purposes of basic and diluted loss per share | **(92,635)** | (36,878) |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | **2,177,432** | 1,686,409 |

**From continuing operations**

The calculation of basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Loss** | | |
| Loss attributable to owners of the Company for the purposes of basic and diluted loss per share | **(92,635)** | (33,667) |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | **2,177,432** | 1,686,409 |

**From discontinued operation**

For the six months ended 30 June 2014, basic and diluted loss per share from the discontinued operation is HK0.19 cent per share, calculated based on the loss attributable to owners of the Company from the discontinued operation of HK$3,211,000 and the weighted average number of ordinary shares of 1,686,409,000.

The computation of diluted loss per share for the period ended 30 June 2015 does not assume the exercise of share options granted by the Company since such assumed exercise would be anti-dilutive. There was no potential dilutive ordinary shares outstanding for the period ended 30 June 2014.

## 10. 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.

## 11. TRADE RECEIVABLES

**Ageing analysis**

The following is an analysis of the trade receivables by age, presented based on the invoice date and net of allowance for doubtful debts:

| | **As at 30 June 2015** *HK$'000* **(unaudited)** | As at 31 December 2014 *HK$'000* (audited) |
|---|---|---|
| 0 to 30 days | **16,400** | 26,839 |
| 31 to 90 days | **4,150** | 25,399 |
| Over 90 days | **2,374** | 4,152 |
| | **22,924** | 56,390 |

*Notes:*

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

(ii) The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by management. Trade receivables are non-interest bearing.

## 12. TRADE AND BILLS PAYABLES

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

| | **As at 30 June 2015** *HK$'000* **(unaudited)** | As at 31 December 2014 *HK$'000* (audited) |
|---|---|---|
| 0 to 30 days | **33,918** | 18,292 |
| 31 to 90 days | **11,655** | 35,427 |
| Over 90 days | **6,558** | 14,358 |
| | **52,131** | 68,077 |

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2015 (30 June 2014: nil).

## BUSINESS REVIEW

For the six months ended 30 June 2015, the Group reported revenue of HK$72,049,000, representing a year-over-year drop of 33% (30 June 2014: HK$108,044,000). A gross loss of HK$2,213,000 was recorded for the interim period of 2015 against the gross profit of HK$1,040,000 from the same period last year, which was mainly due to insufficient production in the toys division. The lackluster performance in the toys division also aggravated the overall results of the Group for the interim period, which reported loss for the period amounting to HK$92,635,000, as compared with the loss of HK$37,569,000. The increase in loss was also due to a one-off share-based payment of HK$51,100,000 as a result of the share options granted in April 2015.

### Continuing operations

*Toys Division*

Revenue of the toys division continued to shrink as one of the Group's major customers took back a major product for own production in 2014. The continuing high production costs in China also drove some of the customers to change their purchase to other lower-cost region such as Vietnam. As a result of insufficient production orders, the fixed production cost could not be fully absorbed and hence a gross loss of HK$2.21 million was recorded for the first half of 2015. During the period, the Group disposed of a manufacturing base in the Jiangxi Province of China mainly because of the shortage of skillful workers in the region making it uneconomical to continue the production operation there. A gain on disposal of a subsidiary of HK$1,717,000 was resulted.

*Securities Investments*

The Group's securities investments division achieved a segment profit of HK$7,551,000 (30 June 2014: segment loss of HK$3,492,000). During the review period, the Group increased its scale in securities investments in view of the active and robust capital market in China and Hong Kong. As of 30 June 2015, the Group's securities portfolio valued at fair value of HK$180,838,000 (31 December 2014: HK$14,232,000), recording a gain on change of fair value of HK$8,545,000. The management viewed favorably on certain new industries in China such as media, renewable energy and mobile internet services and aimed to improve financial returns by better utilizing the available funds.

**Discontinued operation**

*Beverage Division*

The Group had disposed of its entire interest in the beverage business in September 2014 and reported a disposal gain of HK$2,960,000 in 2014. As a result, the Group did not record any revenue from the beverage division for the six months ended 30 June 2015. (30 June 2014: revenue of HK$2,561,000 and segment loss before taxation of HK$3,918,000).

Although the Group achieved segment profit from its securities investments business and received additional interest income from its money-lending business during the period, the performance of the Group was adversely impacted by the poor result from the toys division and the one-off expense from the grant of share options. For the interim period, the Group reported a loss attributable to owners of the Company of HK$92,635,000 (30 June 2014: HK$36,878,000) and basic loss per share of HK4.25 cents (30 June 2014: HK2.19 cents). The Group reported total comprehensive loss, net of tax, of HK$92,672,000 (30 June 2014: HK$40,413,000) which included an exchange loss on translating foreign operations of HK$86,000 (30 June 2014: loss of HK$2,844,000) and cumulative exchange loss relating to foreign operation disposed of during the period of HK$49,000 (30 June 2014: nil). The Group's total comprehensive loss for the period, net of tax, attributable to owners of the Company amounted to HK$92,672,000 (30 June 2014: HK$39,517,000).

## FINANCIAL REVIEW

**Liquidity, Financial Resources and Capital Structure**

At 30 June 2015, the Group had current assets of HK$443,661,000 (31 December 2014: HK$307,126,000) comprising cash and cash equivalents of HK$21,560,000 (31 December 2014: HK$145,879,000) (excluding pledged bank deposits). The Group's current ratio, calculated as current assets divided by current liabilities of HK$220,367,000 (31 December 2014: HK$219,789,000), remained at a healthy ratio of 2.00 (31 December 2014: 1.40). At the period end, the Group's trading securities amounted to HK$180,838,000, representing an increase of more than 11 times over that of the previous year end (31 December 2014: HK$14,232,000). Loan receivables also increased by HK$96,000,000 (31 December 2014: nil) which mainly included providing short term money lending facilities to borrowers for terms not more than 6 months. The Group's borrowings at 30 June 2015 were mainly denominated in Hong Kong dollars, Renminbi and United States dollars in the proportion of 71%, 29% and 0% (31 December 2014: 91%, 5% and 4%) respectively. All borrowings totalling HK$127,565,000 (31 December 2014: HK$112,503,000) would be matured within one year, out of which all of them bore fixed interest rate (31 December 2014: 96%) and none bore floating interest rate (31 December 2014: 4%).

The use of derivative financial instruments was strictly monitored and controlled. The majority of the derivative financial instruments entered into by the Group were primarily used for management of the Group's foreign currency exposures.

As of 30 June 2015, the equity attributable to owners of the Company increased by 44% to HK$440,980,000 (31 December 2014: HK$305,809,000) mainly as a result of the loss incurred by the Group and the shares placing completed during the review period. The Group financed its operations through a combination of bank financing and shareholder's equity. The Group's gearing ratio was determined as its net debt divided by total equity plus net debt where net debt included borrowings, trade and bills payables and other payables less pledged bank deposits and cash and cash equivalents. The gearing ratio of the Group at 30 June 2015 was approximately 30% (31 December 2014: 18%).

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

**Shares placing under general mandate**

The Company completed a shares placement on 28 April 2015 with an aggregate of 400,000,000 placing shares being successfully issued to investors at the placing price of HK$0.40 per placing share. The net proceeds of approximately HK$155 million raised from the shares placement have been used for securities investments and as general working capital of the Group.

## PROSPECTS

For the six months ended 30 June 2015, the segment loss recorded by the toys division decreased slightly to HK$25,180,000 from HK$25,755,000 against a substantial drop of revenue to HK$72,049,000 from HK$108,044,000 of the same period last year. As the management adopts a more stringent control over outsourcing and raw materials suppliers, it is expected that the overall production efficiency as well as the financial performance for the second half year will be improved. More marketing efforts will also be spent on developing new businesses for the slack season in the hope of further improving productivity.

Despite a segment profit recorded for the first half, the performance of the securities investments division will be inevitably impacted adversely by increased market volatility and the drastic downturn of both China and Hong Kong stock market entering into the second half year. While the underlying direction of the Chinese stock market is believed to be upward in the long run, the management will exercise a more cautious approach for the securities investment in the second half of the year.

**Cooperation in the possible investment of RFPA business of NXP B.V. (“Possible Investment”)**

On 30 June 2015, the Group announced that it signed on 27 May 2015 the funding commitment letter addressed to NXP B.V. (“NXP”) and Jianguang Asset Management Co. Ltd. (“JAC Capital”) pursuant to which, subject to compliance of the Listing Rules, the Group committed to transfer to JAC Capital equity and/or debt funding commitment of US$500 million for JAC Capital’s use to pay the purchase price of the Possible Investment. The Possible Investment involves the acquisition of certain business of NXP including the business of developing, manufacturing and selling of radio frequency power amplifiers (“RFPA”). Total purchase price to acquire the target business amounts to US$1.8 billion (equivalent to approximately HK$13.95 billion), which is subject to review and approval by the US Federal Trade Commission, the European Commission, Ministry of Commerce of the People’s Republic of China and other agencies. The Group subsequently signed the second co-operation agreement with JAC Capital on 25 June 2015 pursuant to which both parties agreed to cooperate in the Possible Investment through the establishment of a joint venture company. At present, the Group is still in discussion with JAC Capital and other potential investors regarding the participation in the Possible Investment and the relevant investment structure.

**Termination of acquisition of Ankai (Tianjin) Holding Co. Ltd. (“Ankai Tianjin”)**

On 24 July 2015, the Group announced that it entered into a termination agreement to terminate the framework agreement with the shareholder of Ankai Tianjin. The Group entered into the framework agreement on 18 November 2014 with Ankai Tianjin and its shareholder to acquire the entire right of control, economic interests, management and benefits of Ankai Tianjin through the structured contracts at a consideration of HK$120 million. Ankai Tianjin and its affiliates are principally engaged in film and media production and insurance brokerage business in China. As certain conditions have not been fulfilled, the Group announced on 30 June 2015 that it would not proceed to completion. In accordance with the termination agreement, the Group has received the refund of the deposits totaled HK$100 million after the review period, which will be used for the Possible Investment and as general working capital of the Group.

## CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015 except for the following deviation with reason as explained.

Pursuant to Code A.6.7, the independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

One Non-executive Director and two Independent Non-excutive Directors of the Company were unable to attend the special general meeting of the Company held on 9 March 2015 due to other prior business engagements. One Non-executive Director and one Independent Non-executive Director of the Company were unable to attend the annual general meeting of the Company held on 1 June 2015 due to other prior business engagements. However, there were at least a half of the board of directors (including Independent Non-executive Directors) presented at each meeting to enable the Board to develop a balanced understanding of the views of shareholders of the Company.

## REVIEW OF INTERIM FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Company for the six months ended 30 June 2015 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Messrs. Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is set out in the interim report. The condensed consolidated financial statements have also been reviewed by the Audit Committee of the Company.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

By Order of the Board
**Gao Feng**
*Executive Director and Chairman*

Hong Kong, 27 August 2015

*As at the date of this announcement, the Board comprises three Executive Directors, being Mr. Gao Feng (Chairman), Mr. Zhang Jack Jiyei (Chief Financial Officer) and Mr. Wu Jiang; one Non-executive Director, namely Mr. Lo Ming Chi, Charles; and three Independent Non-executive Directors, namely Mr. Li Fang, Mr. Wong Kee Fung Kenneth and Mr. Wong Kwok Tai.*