WINSHINE
瀛晟科學

WINSHINE SCIENCE COMPANY LIMITED
瀛晟科學有限公司*
(formerly known as 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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the "Board") of Winshine Science Company Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Continuing operations			
Revenue	4	**247,732**	422,953
Cost of sales		**(220,459)**	(412,261)
Gross profit		**27,273**	10,692
Other income and gain	5	**11,100**	7,629
Selling and distribution costs		**(8,025)**	(13,045)
Administrative expenses		**(123,604)**	(87,280)
Changes in fair value of trading securities		**(18,238)**	(17,553)
Other operating expenses		**(12,954)**	(11,323)
Finance costs	7	**(5,971)**	(5,643)
Loss before taxation from continuing operations	6	**(130,419)**	(116,523)
Income tax expense	8	**(2,842)**	(1,873)
Loss for the year from continuing operations		**(133,261)**	(118,396)
Discontinued operation			
Loss for the year from discontinued operation	9	**–**	(3,622)
Loss for the year		**(133,261)**	(122,018)

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Attributable to:			
Owners of the Company		**(133,261)**	(120,853)
Non-controlling interests		**–**	(1,165)
		(133,261)	(122,018)
Loss per share			
From continuing and discontinued operations			
Basic and diluted	11	**(HK5.71 cents)**	(HK6.67 cents)
From continuing operations			
Basic and diluted	11	**(HK5.71 cents)**	(HK6.53 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	HK$'000	*HK$'000*
Loss for the year	**(133,261)**	(122,018)
Other comprehensive (loss) income		
Items that will not be reclassified to profit or loss:		
Revaluation (deficit) surplus on leasehold buildings	**(1,006)**	2,609
Deferred tax (charge) credit arising from revaluation (deficit) surplus on leasehold buildings	**(264)**	42
	(1,270)	2,651
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(9,112)**	(1,451)
Cumulative exchange differences relating to foreign operation disposed of during the year	**49**	(21,543)
	(9,063)	(22,994)
Other comprehensive loss for the year, net of tax	**(10,333)**	(20,343)
Total comprehensive loss for the year	**(143,594)**	(142,361)
Total comprehensive loss attributable to:		
Owners of the Company	**(143,594)**	(141,020)
Non-controlling interests	**–**	(1,341)
	(143,594)	(142,361)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**118,875**	121,494
Prepaid land premiums		**4,397**	4,547
Refundable deposits		**–**	100,000
Deposit paid for purchase of property, plant and equipment		**12,500**	–
		135,772	226,041
Current assets			
Trading securities		**255,992**	14,232
Inventories		**37,362**	78,425
Prepaid land premiums		**152**	152
Trade receivables	12	**27,159**	56,390
Loan receivables		**48,000**	–
Prepayments, deposits and other receivables		**32,623**	9,051
Pledged bank deposits		**12,649**	2,997
Cash and cash equivalents		**26,005**	145,879
		439,942	307,126
Current liabilities			
Trade and bills payables	13	**48,286**	68,077
Other payables and accruals		**26,471**	35,827
Borrowings		**100,329**	112,503
Tax payables		**4,270**	3,382
		179,356	219,789
Net current assets		**260,586**	87,337
Total assets less current liabilities		**396,358**	313,378
Non-current liabilities			
Deferred tax liabilities		**7,461**	7,569
Net assets		**388,897**	305,809
Capital and reserves			
Share capital		**248,489**	202,369
Reserves		**140,408**	103,440
Total equity		**388,897**	305,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. The Company's shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to the special resolution of the Company dated 6 January 2016, the name of the Company has been changed from Winshine Entertainment & Media Holding Company Limited to Winshine Science Company Limited. The change of the name of the Company has been approved by the Registrar of Companies in Bermuda and became effective on 7 January 2016.

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 consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The HKICPA has issued new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied for the first time in the current year amendments to HKFRSs. The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKAS 1	Disclosure initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]
Amendments to HKAS 27	Equity method in separate financial statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidated exception[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2014 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements.

4. REVENUE AND SEGMENT REPORTING

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	2015	2014
	HK$'000	*HK$'000*
Continuing operations		
Revenue		
Sale of goods	**247,732**	422,953

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 9.

In accordance with HKFRS 8, segment information disclosed in these 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, deposit paid for purchase of property, plant and equipment, loan receivables, certain property, plant and equipment, 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 year ended 31 December 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	**–**	–	**247,732**	422,953	**247,732**	422,953
Reportable segment loss before taxation	**(19,882)**	(17,543)	**(24,175)**	(56,213)	**(44,057)**	(73,756)
Unallocated corporate income					**5,901**	638
Unallocated corporate expenses					**(92,263)**	(43,405)
Loss before taxation from continuing operations					**(130,419)**	(116,523)
Other segment information (included in the measure of segment profit or loss or regularly provided to chief operating decision maker)						
Depreciation of property, plant and equipment	**–**	–	**(5,157)**	(9,445)	**(5,157)**	(9,445)
Amortisation of prepaid land premiums	**–**	–	**(150)**	(152)	**(150)**	(152)
Impairment loss of goodwill	**–**	–	**–**	(834)	**–**	(834)
Impairment loss of property, plant and equipment	**–**	–	**–**	(7,084)	**–**	(7,084)
Impairment loss of trade receivables	**–**	–	**(1,893)**	–	**(1,893)**	–
Write down of inventories, net	**–**	–	**(15,462)**	(21,066)	**(15,462)**	(21,066)
(Loss) gain on disposal of property, plant and equipment, net	**–**	–	**(883)**	167	**(883)**	167
Changes in fair value of trading securities	**(18,238)**	(17,553)	**–**	–	**(18,238)**	(17,553)
Bank interest income	**2**	36	**34**	47	**36**	83
Interest expense	**–**	–	**(5,971)**	(5,643)	**(5,971)**	(5,643)
Addition to non-current assets Property, plant and equipment	**–**	–	**3,891**	2,648	**3,891**	2,648

(b) Reconciliation of reportable segment, assets and liabilities

As at 31 December 2015

	Continuing operations		
	Securities investments	**Manufacturing and trading of toys**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Reportable segment assets	**267,936**	**218,890**	**486,826**
Unallocated corporate assets			**88,888**
Total assets			**575,714**
Reportable segment liabilities	**–**	**(176,225)**	**(176,225)**
Unallocated corporate liabilities			**(10,592)**
Total liabilities			**(186,817)**

As at 31 December 2014

	Continuing operations		
	Securities investments	Manufacturing and trading of toys	Total
	HK$'000	*HK$'000*	*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 years.

(c) **Geographical information**

The following is an analysis of geographical location of (i) the Group's revenue from continuing operations and (ii) the Group's non-current assets include property, plant and equipment and prepaid land premiums. The geographical location of customers refers to the customers' place of domicile. The geographical locations of property, plant and equipment and prepaid land premiums are based on the physical location of the asset under consideration.

	Revenue from continuing operations		**Non-current assets**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**39,792**	93,567	**3,991**	2,901
The PRC	**–**	–	**119,281**	123,140
United States and Canada	**161,361**	302,047	**–**	–
Japan and Europe	**46,579**	27,339	**–**	–
	247,732	422,953	**123,272**	126,041

(d) **Information about major customers**

Revenue from customers contributing 10% or more of the total revenue of the Group is as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue from manufacturing and trading of toys		
The largest customer	**74,379**	152,260
Second largest customer	**43,712**	24,047
Third largest customer	**33,979**	63,750

5. OTHER INCOME AND GAIN

	2015	2014
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**36**	83
Other interest income	**5,502**	390
Gain on disposal of a subsidiary	**837**	–
Mould income	**2,292**	3,293
Sublet rental income	**–**	260
Subcontracting income	**–**	575
Sundry income	**2,433**	3,028
	11,100	7,629

6. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

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

	2015	2014
	HK$'000	*HK$'000*
Continuing operations		
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**116,741**	148,137
Other employee benefits	**5,400**	3,891
Contributions to defined contribution retirement plans	**10,238**	11,946
Equity-settled share-based payments	**7,591**	11,289
	139,970	175,263
Auditors' remuneration	**1,600**	1,500
Cost of inventories	**200,641**	388,337
Equity-settled share-based payments to other participants	**43,509**	15,211
Depreciation of property, plant and equipment	**5,363**	9,557
Amortisation of prepaid land premiums	**150**	152
Impairment loss on goodwill	**–**	834
Impairment loss on property, plant and equipment	**–**	7,084
Impairment loss on trade receivables	**1,893**	–
Net foreign exchange (gain) loss	**(102)**	244
Write down of inventories, net (included in cost of sales)	**15,462**	21,066
Fair value loss on derivative financial instruments	**–**	3,109
Loss on disposal of property, plant and equipment, net	**894**	180
Operating lease charges in respect of land and buildings	**5,260**	5,882

7. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Continuing operations		
Interest on borrowings	**5,971**	5,643

8. INCOME TAX EXPENSE

Income tax expense in the consolidated statement of profit or loss represents:

	2015	2014
	HK$'000	*HK$'000*
Continuing operations		
Hong Kong – current income tax	**900**	–
The PRC		
– current income tax	**1,700**	1,701
– underprovision in prior year	**32**	–
Withholding tax paid during the year	**555**	–
	3,187	1,701
Deferred tax (credit) charge	**(345)**	172
Income tax expense	**2,842**	1,873

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Enterprise Income Tax ("EIT") in the PRC has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2014: 25%).

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

9. DISCONTINUED OPERATION

During the year ended 31 December 2014, the Group entered into a disposal agreement to dispose of the Beverage Segment at a consideration of HK$65,000,000. The disposal was completed on 15 September 2014.

The loss from the discontinued operation which has been included in the consolidated statement of profit or loss and consolidated statement of cash flows are set out below:

	1.1.2014 to 15.9.2014 *HK$'000*
Loss for the year from discontinued operation	
Revenue	3,103
Cost of sales	(2,247)
Gross profit	856
Other income and gain	823
Selling and distribution costs	(398)
Administrative expenses	(7,713)
Other operating expenses	(172)
Loss before taxation	(6,604)
Income tax credit	22
Loss after taxation	(6,582)
Gain on disposal of subsidiaries	2,960
Loss for the year from discontinued operation	(3,622)
Loss for the year from discontinued operation attributable to:	
Owners of the Company	(2,457)
Non-controlling interests	(1,165)
	(3,622)
Loss for the year from discontinued operation is arrived at after charging (crediting):	
Depreciation of property, plant and equipment	1,541
Amortisation of intangible assets	90
Loss on disposal of property, plant and equipment	12
Bank interest income	(836)
Cash flows from discontinued operation	
Net cash used in operating activities	(2,040)
Net cash generated from investing activities	1,517
Net cash outflows from discontinued operation	(523)

10. DIVIDENDS

No dividend was paid or proposed by the directors for both years nor has any dividend been proposed since the end of the reporting period.

11. 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:

	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(133,261)**	(120,853)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,332,334**	1,811,156

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:

	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(133,261)**	(118,396)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,332,334**	1,811,156

From discontinued operation

For the year ended 31 December 2014, basic and diluted loss per share from the discontinued operation is HK0.14 cent per share, calculated based on the loss attributable to owners of the Company from the discontinued operation of HK$2,457,000 and the weighted average number of ordinary shares of 1,811,156,000.

The computation of diluted loss per share for the years ended 31 December 2015 and 2014 does not assume the exercise of share options granted by the Company since such assumed exercise would be anti-dilutive.

12. TRADE RECEIVABLES

	2015 *HK$'000*	2014 *HK$'000*
Trade receivables	**27,159**	56,390

Ageing analysis

The following is an analysis of the trade receivables by age, presented based on the invoice date which is approximate to the revenue recognition date and net of allowance:

	2015 *HK$'000*	2014 *HK$'000*
0 to 30 days	**19,816**	26,839
31 to 90 days	**7,023**	25,399
Over 90 days	**320**	4,152
	27,159	56,390

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

13. TRADE AND BILLS PAYABLES

The ageing analysis of the trade and bills payables as at 31 December 2015 is as follows:

	2015 *HK$'000*	2014 *HK$'000*
0 to 30 days	**20,366**	18,292
31 to 90 days	**10,504**	35,427
Over 90 days	**17,416**	14,358
	48,286	68,077

Note: The trade and bills payables are expected to be settled within one year.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend in respect of the year ended 31 December 2015 (2014: nil).

BUSINESS REVIEW

During the year of 2015, the Group continued to improve the performance of its existing businesses while looking for new business opportunities. The Group reported total revenue of HK$247.7 million and loss of HK$133.3 million for the year ended 31 December 2015, representing a decrease of 41.4% and an increase of 9.2% year-over-year respectively. The loss is mainly attributed by the negative results recorded from its toys division and securities investment division, together with the expenses of share options granted during the year.

Continuing operations

Toys Division

The drop of revenue was partly due to the loss of major customers subsequent to the personnel changes in its toys division. The high production cost in the Pearl River Delta also drove out some of their customers to other lower cost regions abroad such as Vietnam. The gross profit in the toys division has however improved significantly from HK$10.7 million in 2014 to reach HK$27.3 million in 2015, mainly as a result of better production planning and higher production efficiencies. Segment loss for the year in the toys division shrank by 57.0% to HK$24.2 million, compared to the previous year (2014: HK$56.2 million).

Securities Investments

During the year, the Hong Kong and China stock market experienced a roller coaster ride seeing a bull run in the first half year followed by a drastic market adjustment in the second half of 2015. The Group recorded a segment loss of HK$19.9 million in the securities investment division in 2015, compared to the segment loss of HK$17.5 million in 2014. As at 31 December 2015, the Group securities portfolio was valued at HK$256.0 million (2014: HK$14.2 million) and a loss of change of fair value of HK$18.2 million (2014: HK$17.6 million) was recorded. The Group did not receive any dividend income during the year (2014: nil).

Discontinued operation

Beverage Division

The Group did not record any revenue from the beverage division in 2015 after it disposed of the entire interest in the beverage business in 2014.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31 December 2015, the Group had current assets of HK$439,942,000 (2014: HK$307,126,000) comprising cash and cash equivalents of HK$26,005,000 (2014: HK$145,879,000) (excluding pledged bank deposits). The Group's current ratio, calculated as current assets divided by current liabilities of HK$179,356,000 (2014: HK$219,789,000), remained at a healthy ratio of 2.45 (2014: 1.40). The Group's borrowings as at 31 December 2015 were denominated in Hong Kong dollars, Renminbi and United States dollars in the proportion of 58%, 42% and nil (2014: 91%, 5% and 4%) respectively. All borrowings totaling HK$100,329,000 (2014: HK$112,503,000) would mature within one year, out of which all bore fixed interest rate (2014: 96%) and none bore floating interest rate (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 currency risk exposures.

The equity attributable to owners of the Company increased by 27% to HK$388,897,000 (2014: HK$305,809,000) mainly as a result of equity fund raising activities offset by the loss incurred by the Group during the year. 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 pledged bank deposits and cash and cash equivalents. The gearing ratio of the Group as at 31 December 2015 was 26% (2014: 18%).

Despite the loss incurred by the Group, the financial position of the Group remains solid with sufficient cash and available financial resources to support the Group's ongoing business operations.

PROSPECTS

As mentioned in the previous report, the Group has been exploring new investment opportunities to diversify its existing businesses and enhance returns for its shareholders. China's pharmaceutical market has grown robustly and became the second largest pharmaceutical market in 2013. According to the prediction of the State Council of the PRC, total nation medical expenditure will reach approximately RMB8,000 billion at the end of "13th Five-Year Plan" in 2020, representing a compound annual growth rate of 23.5% over the 5 years from 2016 to 2020. The Board considers that there are growth potential and opportunities in the medical and health industry in the PRC and it will benefit the Group and the shareholders as a whole by participating in this industry.

Formation of the joint venture company with Beijing Novotide Biomedical Technology Company Limited ("Novotide")

On 11 November 2015, the Group announced that it entered into the shareholders' Agreement with among others, Novotide and its subsidiary ("Novotide BVI") to form a joint venture ("Novotide JV") which will engage in the business of research and development of the Peptide Secretion Technology for malignant tumor treatment. The Group and Novotide BVI will provide a shareholder's loan of RMB55 million and RMB45 million to Novotide JV respectively. The Group also entered into a facility agreement with Novotide BVI pursuant to which the Group agreed to grant the loan facility of RMB45 million to Novotide BVI for its payment of the shareholder's loan to Novotide JV.

Peptide Secretion Technology

The Peptide Secretion Technology has been researched and developed for over 10 years. Under the premise that the genetic material of human cells would not be altered, DNA sequence which induces expression and secretion of bioactive peptides can be imported into human cells with the Peptide Secretion Technology, which allows a targeted bioactive peptide to be continuously expressed and secreted from human cells. Novotide owns two patents in the PRC in relation to the Peptide Secretion Technology, namely a patent relating to continuous expression of a targeted peptide through recombinant expression techniques, and a patent relating to the use of a plasmid vector for achieving continuous expression of a targeted peptide. In relation to treatment for malignant tumors, the Peptide Secretion Technology may be used to prompt human cells to continuously express and secrete bioactive antitumor peptides which specifically target entry into tumor cells and induce tumor cell apoptosis. Based on well-known studies on tumor suppressor peptides, Novotide are developing 8 types of antitumor peptide secretion formulations including formulation with antitumor peptides related to the P53 protein. Further research would be conducted to identify more bioactive peptides with tumor-suppressing properties which are suitable for treatment of malignant tumors with the Peptide Secretion Technology. Personalized treatments for patients with different types of malignant tumors may possibly be developed using a combination of different formulations produced with the Peptide Secretion Technology, and two methods of treatment which may be developed are: (1) treatment for isolated tumors; and (2) treatment through reinfusion of immune cells which have been enhanced ex vivo. Commercialization of treatment under the Peptide Secretion Technology is subject to, among other things, research and development, testings and approval from relevant authorities which may or may not materialise.

As advised by the PRC legal adviser, businesses involved in the development and application of genetic treatment technology are prohibited from foreign investment. Accordingly, the research and development of the Peptide Secretion Technology to be operated by Novotide JV will be conducted through entering into various structure contracts by a wholly foreign-owned subsidiary of Novotide BVI ("Novotide WFOE") with different nominees. Up to the date of this report, Novotide JV is in the process of setting up Novotide WFOE and no structured contracts have been entered into yet.

Acquisition of 70% equity interest of Beijing Wufang Hospital Management Company Limited ("BWHM")

On 4 January 2016, the Group announced that it entered into the acquisition agreement to subscribe for 70% of BWHM by injecting the aggregate sum of RMB63 million into BWHM. BWHM owned 100% of Beijing Wufangqiao Chinese Medicine Kidney Disease Hospital Company Limited ("BWCM") which is principally engaged in provision of medical services in the PRC. Since part of the conditions precedent have not been completed, the long stop date of the acquisition agreement is extended from 29 February 2016 to 31 May 2016.

Acquisition of 100% equity interest of Yi Nuo Technology (Suzhou) Company Limited ("Yi Nuo")

On 17 February 2016, the Group announced that it entered into the acquisition agreement pursuant to which the Group conditionally agreed to purchase 100% of Yi Nuo at a consideration of approximately RMB64.5 million. Yi Nuo currently owned a piece of land at Jiangsu Suzhou Hi-Tech Zone of approximately 67,000 square meters and a factory thereon. Part of the land and the factory is leased to an independent third parties until 30 June 2016. The Group will reconsider different options on the use of the land and factory and may consider to develop a research and development centre of the Peptide Secretion Technology for malignant tumor treatment in the future. The acquisition is not completed yet as part of the conditions precedent have not been satisfied.

Securities Investments

During the first quarter of 2016, the performance of securities investments division suffered from the volatile stock market and a significant price drop on one of its Hong Kong stock investments and recorded substantial fluctuation and unrealized losses. The Group will closely monitor its securities portfolio and adjust its strategy accordingly.

CORPORATE GOVERNANCE

During the year ended 31 December 2015, the Company had complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules 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-executive 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.

AUDIT COMMITTEE

The annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, Deloitte Touche Tohmatsu, and it has issued an unmodified opinion.

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

During the year ended 31 December 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, 31 March 2016

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.

* *For identification purposes only*