WINSHINE
瀛晟科學

WINSHINE SCIENCE COMPANY LIMITED

瀛晟科學有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 209)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The Board of Directors (the "Board") of Winshine Science 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 2016 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	4	**67,428**	72,049
Cost of sales		**(69,821)**	(74,262)
Gross loss		**(2,393)**	(2,213)
Other income and gain	5	**5,494**	5,312
Selling and distribution costs		**(1,936)**	(3,311)
Administrative expenses		**(32,860)**	(83,982)
Changes in fair value of trading securities		**(119,011)**	8,545
Other operating expenses		**(16)**	(14,357)
Finance costs		**(2,934)**	(2,629)
Loss before taxation	6	**(153,656)**	(92,635)
Income tax expense	7	**–**	–
Loss for the period		**(153,656)**	(92,635)
Attributable to:			
Owners of the Company		**(153,656)**	(92,635)
Non-controlling interests		**–**	–
		(153,656)	(92,635)
Loss per share			
Basic and diluted	8	**(HK6.18 cents)**	(HK4.25 cents)

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(153,656)**	(92,635)
Other comprehensive loss for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(1,614)**	(86)
Cumulative exchange differences relating to foreign operation disposed of during the period	**–**	49
Other comprehensive loss for the period, net of tax	**(1,614)**	(37)
Total comprehensive loss for the period	**(155,270)**	(92,672)
Total comprehensive loss attributable to:		
Owners of the Company	**(155,270)**	(92,672)
Non-controlling interests	**–**	–
	(155,270)	(92,672)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016

	Notes	**At 30 June 2016 *HK$'000* (unaudited)**	At 31 December 2015 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	10	**115,419**	118,875
Prepaid land premiums		**4,322**	4,397
Deposits paid for purchase of property, plant and equipment		**12,500**	12,500
Refundable Deposits		**29,549**	–
		161,790	135,772
Current assets			
Trading securities		**133,211**	255,992
Inventories		**62,278**	37,362
Prepaid land premiums		**152**	152
Trade receivables	11	**22,224**	27,159
Loan receivables		**47,103**	48,000
Prepayments, deposits and other receivables		**36,017**	32,623
Pledged bank deposits		**504**	12,649
Cash and cash equivalents		**10,310**	26,005
		311,799	439,942
Current liabilities			
Trade and bills payables	12	**45,562**	48,286
Other payables and accruals		**26,264**	26,471
Borrowings		**126,610**	100,329
Tax payables		**3,833**	4,270
		202,269	179,356
Net current assets		**109,530**	260,586
Total assets less current liabilities		**271,320**	396,358
Non-current liability			
Deferred tax liabilities		**7,429**	7,461
Net assets		**263,891**	388,897
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		**248,489**	248,489
Reserves		**15,402**	140,408
Total equity		**263,891**	388,897

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 Rooms 2202-2203, 22/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are manufacturing 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 2016 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 2015, 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 2015.

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.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the current interim period.

The application of the 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.

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue		
Sale of goods	**67,428**	72,049

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.

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, deposits paid for purchase of property, plant and equipment, certain property, plant and equipment, loan receivables, certain prepayments, deposits and other receivables and certain cash and cash equivalents, which are grouped as unallocated corporate assets.

All liabilities are allocated to reportable segments other than certain other payables and 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 2016 and 2015

	Securities investments		Manufacturing and trading of toys		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue						
Revenue from external customers	**–**	–	**67,428**	72,049	**67,428**	72,049
Reportable segment profit (loss) before taxation	**(119,231)**	7,551	**(20,696)**	(25,180)	**(139,927)**	(17,629)
Unallocated corporate income					**3,829**	1,337
Unallocated corporate expenses					**(17,558)**	(76,343)
Loss before taxation					**(153,656)**	(92,635)
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	**–**	–	**(4,246)**	(4,503)	**(4,246)**	(4,503)
Amortisation of prepaid land premiums	**–**	–	**(75)**	(74)	**(75)**	(74)
Write down of inventories, net	**–**	–	**(3,603)**	–	**(3,603)**	–
Loss on disposal of property, plant and equipment, net	**–**	–	**(14)**	(63)	**(14)**	(63)
Impairment loss of trade receivables	**–**	–	**–**	(1,743)	**–**	(1,743)
Changes in fair value of trading securities	**(119,011)**	8,545	**–**	–	**(119,011)**	8,545
Bank interest income	**–**	1	**297**	12	**297**	13
Interest expense	**–**	–	**(2,934)**	(2,629)	**(2,934)**	(2,629)
Addition to non-current assets						
Property, plant and equipment	**–**	–	**1,465**	1,223	**1,465**	1,223

(b) Reconciliation of reportable segment, assets and liabilities

As at 30 June 2016

	Securities investments *HK$'000*	**Manufacturing and trading of toys** *HK$'000*	**Total** *HK$'000*
Reportable segment assets	**159,689**	**217,381**	**377,070**
Unallocated corporate assets			**96,519**
Total assets			**473,589**
Reportable segment liabilities	**–**	**(196,321)**	**(196,321)**
Unallocated corporate liabilities			**(13,377)**
Total liabilities			**(209,698)**

As at 31 December 2015

	Securities investments *HK$'000*	**Manufacturing and trading of toys** *HK$'000*	**Total** *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)

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

5. OTHER INCOME AND GAIN

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank interest income	**299**	13
Other interest income	**3,827**	1,336
Gain on disposal of a subsidiary	**–**	1,717
Mould income	**658**	889
Sundry income	**710**	1,357
	5,494	5,312

6. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**54,779**	47,905
Other employee benefits	**1,766**	1,992
Contributions to defined contribution retirement plans	**6,015**	6,487
Equity-settled share-based payments	**–**	51,100
	62,560	107,484
Cost of inventories	**65,217**	72,398
Depreciation of property, plant and equipment	**4,629**	4,522
Amortisation of prepaid land premiums	**75**	74
Loss on disposal of property, plant and equipment	**27**	63
Write down of inventories, net	**3,603**	–
Impairment loss on trade receivables	**–**	1,743
Interest on borrowings	**2,934**	2,629

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 Company 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. LOSS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(153,656)**	(92,635)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,484,889**	2,177,432

The computation of diluted loss per share for the six months periods ended 30 June 2016 and 2015 does not assume the exercise of share options and warrants (six months ended 30 June 2015: share options) granted by the Company since such assumed exercise would be anti-dilutive.

9. DIVIDENDS

No dividends were paid 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.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired certain property, plant and equipment totalling approximately HK$1,557,000 (six months ended 30 June 2015: HK$1,223,000). The Group disposed of machinery and equipment with carrying amounts totalling approximately HK$33,000 (six months ended 30 June 2015: HK$95,000).

11. TRADE RECEIVABLES

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 2016 *HK$'000* **(unaudited)**	As at 31 December 2015 *HK$'000* (audited)
0 to 30 days	**13,321**	19,816
31 to 90 days	**5,618**	7,023
Over 90 days	**3,285**	320
	22,224	27,159

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 2016 *HK$'000* **(unaudited)**	As at 31 December 2015 *HK$'000* (audited)
0 to 30 days	**28,911**	20,366
31 to 90 days	**12,673**	10,504
Over 90 days	**3,978**	17,416
	45,562	48,286

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2016 (30 June 2015: nil).

BUSINESS REVIEW

For the six months ended 30 June 2016, the Group reported revenue of HK$67,428,000, representing a year-over-year decrease of 6.4% (30 June 2015: HK$72,049,000). Gross loss slightly increased to HK$2,393,000 from gross loss of HK$2,213,000 of the corresponding period. Due to the substantial loss on changes in fair value of trading securities, the Group reported loss for the period amounting to HK$153,656,000, as compared with the loss of HK$92,635,000 from the same period last year.

Toys Division

The toys division recorded a drop in revenue of 6.4% to HK$67.43 million for the six months ended 30 June 2016 (2015: HK$72.05 million). Despite the increased marketing efforts made to improve the business in slack season, the customers in traditional major markets were still suffering from poor market responses and low economic growth and remained cautious in orders placing. As the revenue was still inadequate to offset the fixed production costs, the toys division continued to report gross loss for the first half. Gross loss was however controlled in a similar level of HK$2.39 million (2015: gross loss of HK$2.21 million) due to improved production efficiencies and a devalued RMB during the period. The devaluation of RMB and more stringent control of staff costs also helped the toys division in reducing the administrative expenses. As a result, the toys division contained further deterioration of operation and reported loss before tax of HK$20.70 million, representing a year-on-year decrease of 17.8% from that of the corresponding period last year.

Securities Investments

During the period under review, the global capital market experienced a volatile first half marked by heightened concerns about threats to worldwide economic growth and the turmoil caused by the Brexit referendum in June during which a majority of the British voters voted to leave the European Union. The capital market of Hong Kong and China was no exception and was negatively impacted by the concern over a slowdown of the Chinese economy. The Hong Kong Hang Seng Index declined from 21914 points at 31 December 2015 to 20794 points at 30 June 2016. The performance of the Group's securities investments division was largely impacted by one of its stocks portfolio and recorded loss on change of fair value of HK$106.6 million. In March 2016, the share price of Tack Fiori International Group Limited plummeted by more than 68% after it announced the termination of very substantial acquisition transaction and resumed trading. Its share price continued to drop further and fell by a total of 85.5% during the period.

In view of the volatile market and as mentioned in the annual report, the Group undertook more cautious strategy and began to reduce its stock portfolio starting from the second quarter. As a result the Group's securities investment division recorded total loss on change of fair value of HK$119.01 million (2015: gain of HK$8.55 million), which consisted of realised loss of HK$9.17 million and unrealised loss of HK$109.84 million.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30 June 2016, the Group had current assets of HK$311,799,000 (31 December 2015: HK$439,942,000) comprising cash and cash equivalents of HK$10,310,000 (31 December 2015: HK$26,005,000) (excluding pledged bank deposits). The Group's current ratio, calculated as current assets divided by current liabilities of HK$202,269,000 (31 December 2015: HK$179,356,000), remained at a healthy ratio of 1.54 (31 December 2015: 2.45). At the period end, the Group's trading securities amounted to HK$133,211,000, representing a decrease of 48% from that of the previous year end (31 December 2015: HK$255,992,000). The Group's borrowings at 30 June 2016 were mainly denominated in Hong Kong dollars and Renminbi in the proportion of 72% and 28% (31 December 2015: 58% and 42%) respectively. All borrowings totalling HK$126,610,000 (31 December 2015: HK$100,329,000) would be matured within one year and bore fixed interest rate (31 December 2015: 100%).

As of 30 June 2016, the equity attributable to owners of the Company decreased by 32% to HK$263,891,000 (31 December 2015: HK$388,897,000) mainly as a result of the loss incurred by the Group. 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 and bills payables and other payables less pledged bank deposits and cash and cash equivalents. The gearing ratio of the Group at 30 June 2016 was approximately 42% (31 December 2015: 26%).

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

Placing of non-listed warrants under specific mandate

The Company completed the placement of non-listed warrants on 29 January 2016 with an aggregate of 480,000,000 non-listed warrants being successfully issued to investors at the placing price of HK$0.065 per warrant. The net proceeds of approximately HK$29.9 million raised from the placement of non-listed warrants have been used for business development and as general working capital of the Group.

PROSPECTS

In the second half, the Group will continue to focus on both its existing business divisions and the new investments in the medical and health industry.

Looking forward into the second half, the toys division will face a more challenging market. Its major markets in US and Europe is experiencing slow economic growth, which affects negatively the customers spending hence toy products demand. Furthermore, the devaluation of currencies and poor economic growth in Russia, Brazil and Argentina will further aggravate the customers demand in toys products. Despite this, the toy division has been endeavouring to build stronger relationship with existing customers through competitive pricing and better sale support. It is expected that these efforts will enhance attraction to both new and the existing customers. Furthermore, the toys division will strive to improve the overall production efficiencies in the second half which is the traditional peak season. It has recruited adequate contract workers to meet the peak production demand on one hand and continues to invest in production automation on the other hand. Together with a stable RMB and material price, the toys division expects to achieve an improved result in the second half.

Regarding the securities investments business, the Group will continue to monitor closely on its investment portfolio and is prepared to realise the underperformed investments accordingly in the second half.

Project update

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

In accordance with the subscription and shareholders' agreement, the Group has completed the set-up of a joint venture with Novotide and is in the process of establishing the investment vehicle in the PRC in the first half. Upon formation of the investment vehicle, the Group and Novotide will provide financial resources to the investment vehicle through the shareholders' loan to finance the research and development of Peptide Secretion Technology.

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

In accordance with the acquisition agreement, a total of HK$29.55 million has been paid to the vendor as refundable deposits up to 30 June 2016. The Group is currently in discussion with the vendor and the relevant authorities to complete the legal formalities. It is expected that the acquisition can be completed in the second half.

Acquisition of 70% equity interest of Beijing Wufang Hospital Management Company Limited

Due to the unfulfilled conditions precedent, the Group announced on 29 July 2016 that it has decided not to proceed with the acquisition and issued a written notice to the counterparties to terminate the acquisition agreement. The Group will continue to discuss with the vendors to unwind the acquisition accordingly.

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 2016 except for the following deviation with reason as explained.

Responsibilities of Directors

Code Provision A.6.7

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.

Deviation

Two Executive Directors and two Independent Non-executive Directors of the Company were unable to attend the special general meeting of the Company held on 6 January 2016 due to other prior business engagements. Two Executive Directors, 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 15 January 2016 due to other prior business engagements. One Independent Non-executive Director of the Company was unable to attend the annual general meeting of the Company held on 1 June 2016 due to other prior business engagements. However, there were at least one Executive Director and one Independent Non-executive Director presented at each 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 2016.

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 2016. 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 2016, 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, 30 August 2016

As at the date of this announcement, the Board comprises two Executive Directors, being Mr. Gao Feng (Chairman) and Mr. Zhang Jack Jiyei (Chief Financial Officer); 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.