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 2017

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 2017 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	4	**176,414**	67,428
Cost of sales		**(151,542)**	(69,821)
Gross profit (loss)		**24,872**	(2,393)
Other income and gain	5	**5,647**	5,494
Selling and distribution costs		**(2,182)**	(1,936)
Administrative expenses		**(50,776)**	(32,860)
Changes in fair value of trading securities		**(4,348)**	(119,011)
Other operating expenses		**(3,680)**	(16)
Finance costs		**(5,761)**	(2,934)
Loss before taxation	6	**(36,228)**	(153,656)
Income tax expense	7	**(410)**	–
Loss for the period		**(36,638)**	(153,656)
Loss per share			
Basic and diluted	8	**(HK1.13 cents)**	(HK6.18 cents)

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(36,638)**	(153,656)
Other comprehensive income (loss) for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**8,075**	(1,614)
Other comprehensive income (loss) for the period, net of tax	**8,075**	(1,614)
Total comprehensive loss for the period	**(28,563)**	(155,270)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	Notes	**At 30 June 2017 *HK$'000* (unaudited)**	At 31 December 2016 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	10	**113,041**	110,530
Prepaid land premiums		**3,944**	4,246
Investment properties		**95,311**	37,631
Deposit paid for construction of properties		**–**	61,151
Deposits paid for purchase of property, plant and equipment		**–**	12,500
		212,296	226,058
Current assets			
Trading securities		**29,124**	34,595
Inventories		**72,953**	41,566
Prepaid land premiums		**143**	152
Trade receivables	11	**77,658**	29,311
Loan receivables		**16,100**	48,403
Prepayments, deposits and other receivables		**73,520**	51,393
Deposits paid for construction of properties		**63,026**	–
Pledged bank deposits		**10,312**	2,570
Cash and cash equivalents		**147,569**	78,497
		490,405	286,487
Current liabilities			
Trade and bills payables	12	**80,672**	51,187
Other payables and accruals		**46,586**	28,256
Borrowings		**168,705**	119,569
Tax payables		**4,145**	4,882
		300,108	203,894
Net current assets		**190,297**	82,593
Total assets less current liabilities		**402,593**	308,651
Non-current liability			
Borrowings		**45,000**	45,000
Deferred tax liabilities		**8,192**	8,087
		53,192	53,087
Net assets		**349,401**	255,564
Capital and reserves			
Equity			
Share capital		**366,186**	298,186
Reserves		**(16,785)**	(42,622)
Total equity		**349,401**	255,564

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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, securities investments and medical and health. 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 2017 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 2016, 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 2016.

The measurement basis used in the preparation of these condensed consolidated financial statements is the historical cost basis except for certain properties and financial instruments that are measured at fair values.

3. APPLICATION OF AMENDMENTS TO 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 amendments to 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	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue		
Sale of goods	**176,414**	67,428

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 three 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.

3. Medical and health: this segment is under research stage in which research and development expenses for the medical and health technology development have been incurred.

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 deposit paid for construction of properties, 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 2017 and 2016

	Securities investments		Manufacturing and trading of toys		Medical and health		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue								
Revenue from external customers	**–**	–	**176,414**	67,428	**–**	–	**176,414**	67,428
Reportable segment (loss) profit before taxation	**(5,499)**	(119,231)	**(98)**	(20,696)	**(4,507)**	–	**(10,104)**	(139,927)
Unallocated corporate income							**3,096**	3,829
Unallocated corporate expenses							**(29,220)**	(17,558)
Loss before taxation							**(36,228)**	(153,656)
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	**–**	–	**(4,033)**	(4,246)	**–**	–	**(4,033)**	(4,246)
Amortisation of prepaid land premiums	**–**	–	**(75)**	(75)	**–**	–	**(75)**	(75)
Write down of inventories, net	**–**	–	**(1,175)**	(3,603)	**–**	–	**(1,175)**	(3,603)
Gain/(loss) on disposal of property, plant and equipment, net	**–**	–	**3,304**	(14)	**–**	–	**3,304**	(14)
Research and development expenses	**–**	–	**–**	–	**(4,507)**	–	**(4,507)**	–
Changes in fair value of trading Securities	**(4,348)**	(119,011)	**–**	–	**–**	–	**(4,348)**	(119,011)
Bank interest income	**–**	–	**23**	297	**–**	–	**23**	297
Interest expense	**–**	–	**(4,415)**	(2,934)	**–**	–	**(4,415)**	(2,934)
Addition to non-current assets								
Property, plant and equipment	**–**	–	**4,781**	1,465	**–**	–	**4,781**	1,465

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

As at 30 June 2017

	Securities investments HK$'000	**Manufacturing and trading of toys HK$'000**	**Medical and health HK$'000**	**Total HK$'000**
Reportable segment assets	**60,067**	**305,957**	**–**	**366,024**
Unallocated corporate assets	**–**	**–**	**–**	**336,677**
Total assets				**702,701**
Reportable segment liabilities	**–**	**(296,375)**	**–**	**(296,375)**
Unallocated corporate liabilities				**(56,925)**
Total liabilities				**(353,300)**

As at 31 December 2016

	Securities investments *HK$'000*	Manufacturing and trading of toys *HK$'000*	Medical and health *HK$'000*	Total *HK$'000*
Reportable segment assets	34,635	203,974	–	238,609
Unallocated corporate assets	–	–	–	273,936
Total assets				512,545
Reportable segment liabilities	–	(198,154)	–	(198,154)
Unallocated corporate liabilities				(58,827)
Total liabilities				(256,981)

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

5. OTHER INCOME AND GAIN

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank interest income	**69**	299
Other interest income	**1,929**	3,827
Change in fair value of investment properties	**637**	–
Rental income	**1,437**	–
Mould income	**1,044**	658
Sundry income	**531**	710
	5,647	5,494

6. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**75,323**	54,779
Other employee benefits	**1,530**	1,766
Contributions to defined contribution retirement plans	**5,792**	6,015
	82,645	62,560
Cost of inventories	**137,229**	65,217
Depreciation of property, plant and equipment	**4,483**	4,629
Amortisation of prepaid land premiums	**75**	75
(Gain) loss on disposal of property, plant and equipment	**(3,304)**	27
Write down of inventories, net	**1,175**	3,603
Interest on borrowings	**5,761**	2,934

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")	**305**	–
Deferred taxation		
Current period	**105**	–
	410	–

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%.

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	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(36,638)**	(153,656)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**3,248,605**	2,484,889

The computation of diluted loss per share for the six months periods ended 30 June 2017 and 2016 does not assume the exercise of 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$6,867,000 (six months ended 30 June 2016: HK$1,557,000). The Group disposed of machinery and equipment with carrying amounts totalling approximately HK$360,000 (six months ended 30 June 2016: HK$33,000).

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 2017 *HK$'000* **(unaudited)**	As at 31 December 2016 *HK$'000* (audited)
0 to 30 days	**49,299**	15,813
31 to 90 days	**25,800**	13,028
Over 90 days	**2,559**	470
	77,658	29,311

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 2017 *HK$'000* **(unaudited)**	As at 31 December 2016 *HK$'000* (audited)
0 to 30 days	**47,373**	19,701
31 to 90 days	**24,795**	18,356
Over 90 days	**8,504**	13,130
	80,672	51,187

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 2017 (30 June 2016: nil).

BUSINESS REVIEW

During the first half of 2017, the Group recorded revenue of HK$176,414,000, representing a significant increase of 161.6% from that of the same period in 2016 (2016: HK$67,428,000). As a result of turnover rise and better economies of scale in the toys division, the Group achieved gross profit of HK$24,872,000 for the period (2016: gross loss of HK$2,393,000). Combined with the substantial reduction of fair value loss in the securities division, the Group reduced its net loss for the first six months by 76.2% to HK$36,638,000 (2016: loss of HK$153,656,000). The Group did not record any revenue in the medical and health industry which was still in the preliminary stage.

Toys Division

Revenue of the toys division improved largely by nearly 161.6% year-over-year during the period to HK$176.4 million, mainly due to that one of its customers developed a successful product series which was well received by the market. The division also recorded a one-off gain of HK$3.6 million from compensation of a portion of land reclaimed by the government for local development. The one-off gain was however offset by the exchange loss incurred by the RMB appreciation. As better economies of scale was achieved, the toys division turned around the gross loss position in the past and reported gross profit of HK$24.9 million for the period (2016: gross loss of HK$2.4 million). Along with the rise in revenue, the selling and distribution expenses, administrative expenses and finance expenses also increased because additional workers, additional funding and more peripheral expenses were required to support higher production and sales. As a result, overall performance of the toy division improved and the segment loss was reduced substantially to HK$0.1 million (2016: loss of HK$20.7 million).

Securities investments

Benefited from the solid economic data and improved investors sentiment, the Hong Kong stock market outperformed most of the overseas markets during the first half of 2017. The Hang Seng Index points rose by 17.11% from 22,000 points as at 31 December 2016 to 25,764 points as at 30 June 2017, reaching the highest and the lowest points of 26,090 and 21,883 respectively. Average daily turnover also increased by 12.6% from HK$67.5 billion in the first half of 2016 to HK$76.0 billion in the first half of 2017. For the period ended 30 June 2017, the securities investments division recorded loss on change of fair value of HK$4.3 million (2016: loss of HK$119.0 million), which consisted of realised gain of HK$1.1 million and unrealised loss of HK$ 5.4 million. As at 30 June 2017, the Group's securities portfolio was valued at HK$29.1 million (2016: HK$133.2 million) on a fair value basis.

Medical and Health Division

During the first half of 2017, the Group looked into different investment opportunities in the medical and health industry and completed its initial investment to jointly set up a research and development platform company relating to the application studies of genetically modified bacteria as antitumor drug. Meanwhile, the Group also reviewed its collaboration with its joint venture partner and decided to suspend further investment in the joint venture relating to the Peptide Secretion Technology.

As mentioned on the 2015 and 2016 annual reports, the Group formed the joint venture ("Novotide JV") with Beijing Novotide Biodmedical Technology Company Limited ("Novotide") to engage in the research and development of the Peptide Secretion Technology for malignant tumor treatment. A total of HK$20.7 million research and development expenses was incurred in 2016 mainly on the studies relating to the Peptide Secretion Technology. During the first half of 2017, the Group continued to discuss with Novotide about the development strategy and investment timetable for the technology as well as the operational management of Novotide JV. As both parties cannot reach agreement over the major issues of the future development of Novotide JV, the Group will suspend further investment in Novotide JV until a satisfactory solution is found.

As a result of the change of collaboration plan with Novotide and the completion of investments in Success Impact Corporation and Hainan Zhongzhi Company Limited, the Group considered it would be necessary to review its existing plan for renovation and engineering upgrade work on the existing plants and facilities at Jiangsu Suzhou Hi-Tech Zone held by Yi Nuo Technology (Suzhou) Company Limited.

Completion of investment for 60% equity interest of Success Impact Corporation ("Success Impact")

In April 2017, the Group set up a joint venture by entering into an agreement to acquire 60% interests in Success Impact which will engage in the setup of a research and development platform relating to the new medical technology against cancer using microbial antitumor drugs. According to the share purchase and shareholders agreement, the Group acquired 60% equity interests at the consideration of RMB4 million (equivalent to HK$4.5 million), which was in substance compensated for the expenses already incurred by the joint venture partner in research studies of the related technology. The Group will continue to provide financial resources of a total of RMB8 million (equivalent to HK$9.2 million) in different phrases to the joint venture upon meeting the milestones relating to the research studies of the related technology.

Brief introduction of genetically modified bacteria as antitumor drug

Unlike most antitumor drugs which act against all actively dividing cells, resulting in serious or even lethal side effects, targeted therapy that destroys tumor but leaves normal tissues intact is therefore highly desired. For this purpose, research studies have been devoted to developing novel antitumor drugs that are genetically modified bacteria. Specifically, bacteria are designed and genetically engineered so that they can discriminate tumors and normal tissues by sensing tumor-specific microenvironments. The bacteria selectively replicate in solid tumors and kill tumor cells without infecting normal tissues. Safety and antitumor efficacy of the genetically engineered bacteria have been verified in several mouse tumor models when the bacteria were injected intravenously or directly into tumors. Further efforts will be made by the joint venture towards improving their safety and antitumor efficacy by further genetic engineering and assessing their performance in more tumor models.

Completion of acquisition of 100% equity interest of Hainan Zhongzhi Company Limited ("Hainan Zhongzhi")

In April and May 2017, the Group announced that it had acquired 60% and 40% equity interests of Hainan Zhongzhi at the consideration of RMB30 million and RMB20 million respectively. The main asset of Hainan Zhongzhi is two adjacent parcels of land of site area of approximately 50,997.08 square meters and 37,345.13 square meters respectively. Both of which are located at Haikou City of Hainan Province and are permitted for storage use. It is understood that an application for change of permitted use to medical establishment has been made. The acquisition will allow the Group to increase its land reserve for future business development and the land is intended to be used for collaboration with its medical and health business. The acquisition has been completed in May 2017.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30 June 2017, the Group had current assets of HK$490,405,000 (31 December 2016: HK$286,487,000) comprising cash and cash equivalents of HK$147,569,000 (31 December 2016: HK$78,497,000) (excluding pledged bank deposits). The Group's current ratio, calculated as current assets divided by current liabilities of HK$300,108,000 (31 December 2016: HK$203,894,000), remained at a healthy ratio of 1.63 (31 December 2016: 1.41). At the period end, the Group's trading securities amounted to HK$29,124,000, representing a decrease of 15.8% from that of the previous year end (31 December 2016: HK$34,595,000). The Group's borrowings at 30 June 2017 were mainly denominated in Hong Kong dollars and Renminbi in the proportion of 83% and 17% (31 December 2016: 84% and 16%) respectively. All borrowings totalling HK$168,705,000 (31 December 2016: HK$119,569,000) would be matured within one year and bore fixed interest rate (31 December 2016: 100%).

As of 30 June 2017, the equity attributable to owners of the Company increased by 37% to HK$349,401,000 (31 December 2016: HK$255,564,000) mainly as a result of the loss incurred during the period and the issue of new shares 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 2017 was approximately 34% (31 December 2016: 39%).

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

Issue of new shares under specific mandate

On 21 April 2017, the Company completed the issue of new shares of 680,000,000 subscription shares, representing 18.57% of total issued shares of the Company immediately after completion at the subscription price of HK$0.18 per subscription share. Out of the net proceeds of approximately HK$122.4 million raised from the issue of new shares, total amount of RMB50 million (approximately HK$57.5 million) has been used for acquisition of 100% of Hainan Zhongzhi which owned two parcels of land in Haikou City, Hainan Province. The Group also invested RMB4 million (approximately HK$4.6 million) for 60% interests in Success Impact which is engaged in research and development of new biomedical drugs against cancer. The remaining proceeds will be used in the existing business, new business opportunities development and as general operating expenses of the Group.

PROSPECTS

The Group expect the positive performance of its toy division will maintain in the second half, along with the increased orders relating to the popular products manufactured by the Group. But the overall profit margin will continue to be impacted by adverse factors such as high material price, rising RMB and shortage of skilled workers. In order to enhance production efficiency and simplify departmental collaboration, the toys division will also invest in production automation facilities and plan to purchase an ERP system so to improve overall competitiveness.

On the other hand, the Group will review its existing investments in the medical and health division and formulate collaboration plan to fully utilise the available plant and facilities. Upon completion of investment in Success Impact in April, application has been approved to set up an investment vehicle company in the PRC to conduct research and development studies. A patent agent is also engaged for assisting the joint venture to apply for the patent relating to the microbial antitumor technology. In view of the vast potential in the medical and health sector, the Group will continue to look at different investment opportunities in the medical and health industry, especially on the bio medical areas.

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 2017 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

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 13 February 2017 due to other prior business engagements. One 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 2017 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 2017.

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 2017. 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 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

By Order of the Board
Xing Wei
Executive Director and Chairman

Hong Kong, 28 August 2017

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