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WINSHINE SCIENCE COMPANY LIMITED

瀛晟科學有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 209)

**ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021
AND
DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS**

UNAUDITED ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Winshine Science Company Limited (the “**Company**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021.

In view of the very dire epidemic situation caused by the coronavirus disease 2019 (COVID-19) in mainland China and Hong Kong since 2022, both the Chinese government and the Hong Kong government has implemented and tightened social distancing measures. Such social distancing measures have adversely impacted the accounting works of the Group and the audit progress of the auditors of the Company (the “**Auditors**”), in particular in obtaining and reviewing necessary information to complete the audit progress, and as a result, the audited annual results of the Company for the year ended 31 December 2021 cannot be published as scheduled.

The unaudited consolidated results of the Company for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 HK\$'000 (Unaudited)	2020 <i>HK\$'000</i> <i>(Audited)</i>
Revenue	4	724,627	364,311
Cost of sales		<u>(669,511)</u>	<u>(345,796)</u>
Gross profit		55,116	18,515
Other income, gains and losses	5	(15,878)	(6,999)
Provision of expected credit loss for loan receivables, net	6	(1,886)	(8,952)
Provision of expected credit loss for loan interest receivables	6	(217)	(2,565)
Provision of expected credit loss for trade receivables	6	(4,687)	(2,603)
Gain on disposal of subsidiaries	20	–	7,991
Selling and distribution costs		(5,590)	(4,109)
Administrative expenses		(65,042)	(58,326)
Research and development expenses		–	(336)
Changes in fair value of financial assets at fair value through profit or loss		100	(2,929)
Other operating expenses		(21,300)	(28,358)
Finance costs	7	<u>(16,200)</u>	<u>(13,449)</u>
Loss before tax		(75,584)	(102,120)
Income tax credit	8	<u>486</u>	<u>6,341</u>
Loss for the year	9	<u>(75,098)</u>	<u>(95,779)</u>
Loss for the year attributable to the owners of the Company		<u>(75,098)</u>	<u>(95,779)</u>
Loss per share			
Basic and diluted	11	<u>(HK2.05 cents)</u>	<u>(HK2.62 cents)</u>

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Loss for the year	(75,098)	(95,779)
Other comprehensive income (expense)		
<i>Items that will not be reclassified to profit or loss:</i>		
Gain on revaluation of properties	6,632	2,843
Deferred tax credit (charge) arising from revaluation surplus of properties	(2,653)	449
	3,979	3,292
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	5,817	10,188
Release of exchange reserve upon disposal of a subsidiary	–	(79)
Other comprehensive income for the year	9,796	13,401
Total comprehensive expense for the year	(65,302)	(82,378)
Total comprehensive expense for the year attributable to the owners of the Company	(65,302)	(82,378)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		136,483	141,549
Right-of-use assets		17,331	6,537
Investment properties		39,139	106,702
Deferred tax assets		7,517	7,517
		<u>200,470</u>	<u>262,305</u>
Current assets			
Financial assets at fair value through profit or loss		–	1,761
Inventories	13	132,585	93,360
Trade receivables	14	138,928	55,776
Loan receivables	12	–	1,787
Prepayments, deposits and other receivables	15	15,801	10,094
Pledged bank deposits		–	3,463
Bank balances and cash		67,825	56,142
		<u>355,139</u>	<u>222,383</u>
Assets classified as held for sale	16	<u>49,231</u>	<u>–</u>
		404,370	222,383
Current liabilities			
Trade payables	17	254,353	140,590
Other payables and accruals	18	68,870	42,129
Contract liabilities		2,954	1,700
Borrowings	19	263,567	232,906
Lease liabilities		4,769	2,363
Tax payables		3,801	2,933
		<u>598,314</u>	<u>422,621</u>
Net current liabilities		<u>(193,944)</u>	<u>(200,238)</u>
Total assets less current liabilities		<u>6,526</u>	<u>62,067</u>

	<i>Notes</i>	2021 HK\$'000 (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Borrowings	18	—	—
Lease liabilities		8,285	533
Deferred tax liabilities		<u>25,642</u>	<u>23,633</u>
		<u>33,927</u>	<u>24,166</u>
Net (liabilities) assets		<u>(27,401)</u>	<u>37,901</u>
Capital and reserves			
Share capital		366,186	366,186
Deficit		<u>(393,587)</u>	<u>(328,285)</u>
(Capital deficiencies)/total equity		<u>(27,401)</u>	<u>37,901</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. CORPORATE INFORMATION

Winshine Science Company Limited (the “Company”, together with its subsidiaries collectively referred to as the “Group”) is a limited liability company incorporated in Bermuda. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report. 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 include manufacturing for sale 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. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. For the year ended 31 December 2021, the Group incurred a loss of approximately HK\$56,690,000 and as at 31 December 2021, the Group had net current liabilities of approximately HK\$185,471,000. The Group’s bank balances and cash and pledged bank deposits amounted to approximately HK\$67,825,000, in contrast to its borrowings of approximately HK\$263,567,000, which are repayable within the next twelve months from the end of the reporting period.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business.

In order to improve the Group’s financial positions, liquidity and cash flows, the directors of the Company have adopted or in the process of adopting the following measures:

- i. extending the repayment terms and the expiry dates of the Group’s existing borrowings and banking facilities respectively by entering the extension agreements with the respective lenders after the end of the reporting period but before the consolidated financial statements authorised for issue and the details are as follows:
 - (a) the repayment term of the corporate bonds of HK\$45,000,000 has been extended to 31 March 2023;
 - (b) the repayment term of the term loan of HK\$11,000,000 has been extended to 13 May 2022; and

- (c) the expiry date of the bank facilities of RMB150,000,000 (equivalent to approximately HK\$183,464,000), of which RMB140,247,000 (equivalent to approximately HK\$171,534,000) was utilised as of 31 December 2021, secured by the Group's leasehold buildings and leasehold lands under right-of-use assets has been extended to 9 March 2023 with the limit of bank facilities revised as RMB141,000,000 (equivalent to approximately HK\$172,456,000).
- ii. an active cost-saving measures to control operating cost and administrative costs through various ways has been implemented to improve operating cash flows at a level sufficient to finance the working capital requirements of the Group;
- iii. reviewing its investments and actively considering to realise other investment properties in order to enhance the cash flow position of the Group whenever it is necessary, pursuant to the sale and purchase agreement entered into on 21 March 2022, 60% of the total issued share capital of, and 60% of the shareholder's loan owed by a subsidiary of the Company, which was principally engaged in investment holding, has been disposed at a consideration of HK\$15,000,000, of which the first payment of HK\$10,000,000 has been received by the Group on 22 March 2022; and
- iv. considering other financing arrangements, if necessary, with a view to increasing the Group's equity and liquidity.

On the basis of the above considerations and taking into account the above measures, the directors of the Company are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of issuance of these consolidated financial statements and accordingly, these consolidated financial statements have been prepared on a going concern basis.

Should the Group fail to realise its plan to improve its financial position, adjustments would have to be made to write down the carrying amounts of assets to their estimated recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities which may arise. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

4. REVENUE AND OPERATING SEGMENTS

Revenue represents revenue arising on sale of toy products for the year. All revenue is recognised at a point in time upon delivery of the goods to customers.

The Group manufactured toy products in accordance with the performance obligations as set out in each sales contracts with its customers. The performance obligations in sales contracts have an original expected duration of one year or less. The Group has applied the practical expedient in HKFRS 15 and hence information about the Group's remaining performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period is not disclosed. The Group recognised the incremental costs of obtaining a contract as an expense when incurred since the amortisation period of the asset that the Group otherwise would have recognised was one year or less.

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Revenue from sales of finished goods of toy products	<u>724,627</u>	<u>364,311</u>

The Group is organised and its businesses are managed by divisions, which are a mixture of both business lines and geographical locations. Information reported internally to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and performance assessment of segment performance focuses on types of goods or services delivered or provided. The Group has presented the following three reportable segments. No operating segments have been aggregated in arriving at the following reportable segments of the Group.

Specifically, the Group's reportable segment under HKFRS 8 are as follows:

1. Securities investments: this segment derives its profits or losses from dividends received from, and other gains or losses from, equity securities investments.
2. Toys: this segment derives its revenue from manufacturing for sale of toys.
3. Medical and health: this segment is under development stage in which research and development expenses for the medical and health technology development have been incurred.

The chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

All assets are allocated to reportable segments other than refundable deposits, certain property, plant and equipment, certain prepayments and certain bank balances and cash, which are grouped as unallocated corporate assets.

All liabilities are allocated to reportable segments other than certain accruals, which are grouped as unallocated corporate liabilities.

Segment (loss) profit before tax excludes unallocated interest income and unallocated corporate expenses which are not directly attributable to the business activities of any operating segment.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2021 and 2020

	Securities investments		Toys		Medical and health		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment revenue								
Revenue from external customers	–	–	724,627	364,311	–	–	724,627	364,311
Reportable segment (loss) profit before tax	93	(2,876)	(25,134)	(61,646)	–	(336)	(25,041)	(64,858)
Unallocated corporate income							4,114	15,118
Unallocated corporate expenses							(54,657)	(52,380)
Loss before tax							(75,584)	(102,120)

5. OTHER INCOME, GAINS AND LOSSES

	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Bank interest income	70	1,363
Loan interest income	–	962
Changes in fair value of investment properties	(21,421)	(10,344)
Net foreign exchange loss	(2,916)	(4,766)
Mould income	3,041	867
Rental income	1,595	1,913
Gain/(loss) on disposal of property, plant and equipment, net	65	(68)
Government grants	–	2,702
Investment project recovery (<i>note</i>)	1,455	–
Sundry income	2,233	372
	(15,878)	(6,999)

Note: During the financial year ended 31 December 2021, the Group recovered approximately USD1,173,000 (equivalent to approximately HK\$9,149,000) from an investment project in the past, which is net off with commission expenses paid to a consultant in relation to the investment project amounted to approximately USD986,000 (equivalent to approximately HK\$7,695,000).

6. PROVISION FOR EXPECTED CREDIT LOSSES

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Provision of ECL for loan receivables	1,886	8,952
Provision of ECL for loan interest receivables	217	2,565
Provision of ECL for trade receivables	4,687	2,603
	<u> </u>	<u> </u>

7. FINANCE COSTS

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Interest on bank loans	6,584	7,102
Interest on corporate bonds	3,038	3,054
Interest on revolving loans	2,654	2,178
Interest on short-term loans	3,294	843
Interest on lease liabilities	630	272
	<u> </u>	<u> </u>
	16,200	13,449
	<u> </u>	<u> </u>

8. INCOME TAX CREDIT

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Hong Kong Profits Tax		
Current year	–	–
Overprovision in prior years	–	(95)
People's Republic of China (the "PRC")		
Enterprise Income Tax		
Current year	869	–
Under (over) provision in prior years	–	607
	<u> </u>	<u> </u>
	869	512
Deferred tax credit	(1,355)	(6,853)
	<u> </u>	<u> </u>
Income tax credit	(486)	(6,341)
	<u> </u>	<u> </u>

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Employee benefit expense (including directors' remunerations):		
Wages and salaries	123,683	99,604
Other employee benefits	2,140	1,026
Contributions to defined contribution retirement plans	10,409	7,587
	<u>136,232</u>	<u>108,217</u>
Auditors' remuneration	1,800	1,311
Cost of inventories recognised as an expense (included in cost of sales)	662,084	345,001
Idle capacity costs (included in other operating expenses)	–	23,561
Depreciation of property, plant and equipment	11,790	11,149
Depreciation of right-of-use assets	5,156	3,731
Write down of inventories, net (included in cost of sales)	7,370	1,929
Short-term lease charges in respect of land and buildings	792	1,470
Professional fee (included in other operating expenses)	5,428	4,797

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(75,098)</u>	<u>(95,779)</u>
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>3,661,865</u>	<u>3,661,865</u>

The computation of diluted loss per share for the years ended 31 December 2021 and 2020 does not assume the exercise of share options granted by the Company since such assumed exercise would result in a decrease in loss per share.

12. LOAN RECEIVABLES

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Fixed-rate loan receivables	17,124	17,124
Less: provision of ECL	<u>(17,124)</u>	<u>(15,337)</u>
	<u>–</u>	<u>1,787</u>
Analysed as		
Current	<u>–</u>	<u>1,787</u>

13. INVENTORIES

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Raw materials	25,898	27,672
Work in progress	66,214	51,920
Finished goods	40,473	13,768
	<u>132,585</u>	<u>93,360</u>

14. TRADE RECEIVABLES

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Trade receivables, gross	146,790	58,951
Less: provision of ECL	(7,862)	(3,175)
Trade receivables, net	<u>138,928</u>	<u>55,776</u>

At as 31 December 2021, the gross carrying amount of trade receivables arising from contracts with customers amounted to approximately HK\$146,821,000 (2020: HK\$58,951,000).

The following is an ageing analysis of trade receivables (net of provision of ECL) presented based on the invoice dates which are approximate to the revenue recognition date:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
0 to 30 days	87,982	39,044
31 to 90 days	49,938	15,848
Over 90 days	1,008	884
	<u>138,928</u>	<u>55,776</u>

The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by management. Trade receivables are non-interest bearing.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Prepayments	3,618	3,032
Value-added tax recoverable arising from toys segment	4,205	2,621
Rental deposits	1,110	1,066
Loan interest receivables	–	217
Others	6,868	3,158
	<u>15,801</u>	<u>10,094</u>

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 15 November 2021, the Company, Billion Pride Group Limited, a direct wholly-owned subsidiary of the Company, being the vendor (the “**Vendor**”) and an independent third party, being the purchaser (the “**Purchaser**”) entered into a sale and purchase agreement (the “**Disposal Agreement**”), pursuant to which, the Vendor agreed to sell, and the Purchaser agreed to acquire all the issued shares of Bright Triumph Development Limited (“**Bright Triumph**”, together with its subsidiaries, the “**Target Group**”) and the current account between the Target Group and the Vendor in an aggregate amount of HK\$134,429,453.84, at a consideration of HK\$49,000,000. A deposit of HK\$29,400,000 (representing 60% of the consideration) and included in “Other payables and accruals”.

The major asset being disposed is investment property situated in Suzhou in the PRC. The assets and liabilities attributable to Billion Triumph, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of Bright Triumph classified as held for sale as at 31 December 2021 are as follow:

	As at 31 December 2021 HK\$'000 (Unaudited)
Property, plants and equipment	2,857
Investment property	49,535
Prepayments and other receivables	1,047
Bank balances and cash	1,172
	<hr/>
Total assets classified as held for sale	54,611
Other payables and accruals	5,190
Deferred tax liabilities	190
	<hr/>
Total liabilities classified as held for sale	5,380
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17. TRADE PAYABLES

The following is trade payables presented based on the invoice dates.

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
0 to 30 days	138,740	77,107
31 to 90 days	49,627	30,873
Over 90 days	65,986	32,610
	<hr/>	<hr/>
	254,353	140,590
	<hr/> <hr/>	<hr/> <hr/>

The trade payables are expected to be settled within one year.

18. OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Bills payables for purchasing raw materials	3,967	11,544
Accrued staff costs	15,648	10,694
Accruals	2,424	10,069
Deposit received for disposal of a subsidiary	35,832	5,188
Other payables	10,133	3,836
Tenant deposits received	866	798
	<hr/>	<hr/>
	68,870	42,129
	<hr/> <hr/>	<hr/> <hr/>

19. BORROWINGS

	2021		2020	
	<i>Contractual</i>	<i>HK\$'000</i>	<i>Contractual</i>	<i>HK\$'000</i>
	<i>interest rate</i>		<i>interest rate</i>	
	<i>(%)</i>		<i>(%)</i>	
	(Unaudited)		(Audited)	
Bank loans				
– secured	Fixed rates of		Fixed rates of	
	3.60% to 5.22%		3.60% to 5.22%	
	per annum	167,567	per annum	156,906
Corporate bonds				
– secured	Fixed rate of		Fixed rate of	
	6.75%		6.75% per	
	per annum	45,000	annum	45,000
Term loan				
– secured	Fixed rate of		Fixed rate of	
	12.00%		12.00%	
	per annum	17,000	per annum	11,000
– secured	Fixed rate of			
	12.00%			
	per annum	15,000		–
Sub-total of secured borrowings		244,567		212,906
Revolving loans				
– unsecured	Fixed rate of		Fixed rate of	
	12.00%		12.00%	
	per annum	19,000	per annum	20,000
		19,000		232,906
Analysed as				
Non-current		–		–
Current		263,567		232,906
		263,567		232,906

The above loans are measured at amortised costs.

20. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest in Excellent Harvest International Corporation (“Excellent Harvest”), incorporated in the British Virgin Islands (the “BVI”) and indirectly holding 60% equity interest in a company established in the PRC which is principally engaged in preclinical research studies of genetically engineered bacteria for targeted cancer therapy, at a cash consideration of HK\$8,000,000. The disposal was completed on 26 June 2020, on which date the Group lost control of the Excellent Harvest. On 19 June 2020, the Group disposed of Amazing Express Worldwide Limited (“Amazing Express”), which is incorporated in the BVI, at a consideration of HK\$45,000.

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

	Excellent Harvest <i>HK\$'000</i>	Amazing Express <i>HK\$'000</i>	Total <i>HK\$'000</i>
Bank balances and cash	124	9	133
Shareholders' loans	(11,140)	(1,645)	(12,785)
Other payables and accruals	(745)	–	(745)
Net liabilities disposed of	(11,761)	(1,636)	(13,397)
Cumulative exchange difference	(79)	–	(79)
Assignment of shareholders' loans	11,140	1,645	12,785
Settlement of accruals	745	–	745
Gain on disposal	7,955	36	7,991
Total cash consideration	8,000	45	8,045
Net cash inflow (outflow) arising on disposal:			
Cash consideration received	8,000	45	8,045
Less: Bank balances and cash disposed of	(124)	(9)	(133)
	7,876	36	7,912

21. EVENTS AFTER END OF THE REPORTING PERIOD

On 21 March 2022, Billion Pride Group Limited, a wholly-owned subsidiary of the Company, being the vendor (the “Vendor”), and an independent third party, being the purchaser (the “Purchaser”), entered into a disposal agreement, pursuant to which, the Vendor agreed to sell and the Purchaser agreed to acquire, 60% of the total issued share capital of, and 60% of the shareholder's loan owed by Enormous Fortune Business Limited to the Vendor, at the cash consideration of HK\$15,000,000. The major asset being disposed is the investment property situated in Hainan in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Board does not recommend the payment of final dividend in respect of the year ended 31 December 2021 (“FY2021”) (2020: nil).

BUSINESS REVIEW

The main divisions of the Group based on the principal activities of the Group include the manufacturing for sale of toys (the “**Toys Division**”) and securities investments (the “**Securities Investments Division**”).

For FY2021, the Group recorded revenue of approximately HK\$724.6 million, representing an increase of approximately 98.9% as compared to the revenue of approximately HK\$364.3 million for the year ended 31 December 2020 (“FY2020”).

The increase was mainly due to the improved performance of our Toys Division of approximately HK\$360.3 million. Gross profit for the year amounted to approximately HK\$55.1 million, representing an increase of approximately 197.8% as compared with that of approximately HK\$18.5 million in FY2020 as a result of improvements in the performance of the Toys Division.

For FY2021, the net loss of the Group amounted to approximately HK\$75.1 million as compared with approximately HK\$95.8 million in FY2020. The decrease in net loss of the Group was mainly due to the increase in the gross profit of the Group as mentioned above, and partly offset by decrease in fair value of investment properties and increase in administrative expenses.

The following will discuss the detailed performance of each division of the Group.

Toys Division

For FY2021, revenue of the Toys Division increased by approximately 98.9% to HK\$724.6 million. The gross profit increased to approximately HK\$55.1 million as compare to HK\$18.5 million in FY2020. The increase in both revenue and gross profit of the Toys Division were mainly due to the Toys Division resumed full operation in FY2021, as compared to the temporary suspension during the first quarter of FY2020. The Toys Division recorded a reported segment loss before taxation of approximately HK\$25.1 million in FY2021, as compared to the reportable segment loss of approximately HK\$61.6 million in FY2020. Such reported segment loss before taxation of the Toys Division were mainly due to net foreign exchange loss and impairment loss on property, plant and equipment attributable to the Toys Division.

Securities Investments Division

During FY2021, the Hong Kong stock market continued to experience fluctuation. The Heng Sang Index points rose to over 30,000 points but also drop below 25,000 points. The Group adopted a conservative strategy in managing its investment portfolio during the period. The securities investments division recorded a profit of HK\$93,000 in disposal all the securities hold by the Group in FY2021.

The Group has no longer hold any securities since 30 June 2021 and up to 31 December 2021, and the Group did not receive any dividend income in FY2021.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

Due to the classification of the Group's borrowing as current liability discussed immediately below, at the end of FY 2021, the Group had net current liabilities of approximately HK\$193.9 million (2020: HK\$200.2 million) comprising cash and cash equivalents (excluding pledged bank deposits) of approximately HK\$67.8 million (2020: HK\$56.1 million).

The capital deficiencies attributable to owners of the Company amounted to approximately HK\$27.4 million as at 31 December 2021, as compared to the equity attributable to owners of the Company of approximately HK\$37.9 million as at 31 December 2020, mainly as a result of the operating 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 and bills payables and other payables and accruals less pledged bank deposits and cash and cash equivalents. The gearing ratio of the Group as at 31 December 2021 was approximately 106% (2020: 90%).

Despite the loss incurred by the Group and the net liabilities status at the end of FY2021, the Group has obtained loan extensions and disposed a subsidiary of the Company at a consideration of HK\$15,000,000, details of which are set out in the paragraph headed "Subsequent Event" below. The Group has sufficient cash to support the Group's ongoing business operations.

The management team is more closely aligned with our shareholders as can be seen from the actions taken so far to redirect the Company toward a better internal control, resolution of the legacy issues and a substantial reduction of the management cost.

SUBSEQUENT EVENT

On 21 March 2022, Billion Pride Group Limited, a wholly-owned subsidiary of the Company, being the vendor (the "**Vendor**"), and an independent third party, being the purchaser (the "**Purchaser**"), entered into a disposal agreement, pursuant to which, the Vendor agreed to sell and the Purchaser agreed to acquire, 60% of the total issued share capital of, and 60% of the shareholder's loan owed by Enormous Fortune Business Limited to the Vendor, at the cash consideration of HK\$15,000,000. The major asset being disposed is the investment property situated in Hainan in the PRC.

Save as above, subsequent to 31 December 2021 and up to the date of this announcement, the Board is not aware of any significant event affecting the Group and requiring disclosure.

PROSPECTS

Due to the COVID-19, the Toys Division experienced tremendous pressure on product margins and turnover in FY2020 and has already managed to restart its operation after a closed down period due to COVID-19. The Toys Division is expected to continue to perform satisfactorily.

Starting in 2021, the Board is looking for different business opportunities to diversify our principal business activities and moving toward more profitable businesses. Cost cutting measures within the Group were put in place to reduce operating costs. The Board has also decided to give the Company a better financial position to meet the future challenges.

On 6 June 2021, the Group entered into the operation management agreement (the “**Agreement**”) with Cangshan County Huakai Vegetables Sales Co., Ltd.* (蘭陵縣華凱農產品有限公司), a company incorporated in the PRC with limited liability and an independent third party to the Company (the “**PRC Partner**”), pursuant to which, among others, the PRC Partner shall grant the Group the management and operation rights of the brand “Cangshan Vegetables (蒼山蔬菜)”, and the management and operation rights of the equipment and facilities of the Lanling Agricultural Products Wholesale Market from the PRC Partner, for a term of five (5) years at an annual fee of RMB2 million.

The Board believes that the Agreement is in line with the investment strategy of the Company and that it is beneficial for the Group to diversify the investment portfolio so as to enhance the potential return of investment of the Group in the long run.

During the second half of FY2021, the Group has entered into lease agreement several tenants in relation to the facilities of the Lanling Agricultural Products Wholesale Market with an occupancy rate of approximately 21%. The Group shall monitor the occupancy at the same time optimizing the revenue from the Agricultural Division.

Looking forward, we are cautiously optimistic as our Toys Division continues to perform in the marketplace and the Board shall continue to explore new business opportunity on a much lower management cost.

CORPORATE GOVERNANCE

During FY2021, the Company had complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed 2,058 employees (2020: 1,800) with staff costs amounted to approximately HK\$136.2 million (2020: approximately HK\$108.2 million). Remuneration policies are reviewed annually by the management of the Company. The Group’s remuneration policy is structured to consider comparable position in the market and the prevailing business scale of the Group.

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

During FY2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

REVIEW OF UNAUDITED ANNUAL RESULTS

As of the date of this announcement, due to the very dire epidemic situation caused by the coronavirus disease 2019 (COVID-19) in mainland China and Hong Kong since 2022 and the social distancing measures implementing by the Chinese government and the Hong Kong Government, the accounting works of the Group have been delayed and the audit progress for the annual results for FY2021 has not been completed as scheduled and the Auditors have used their best endeavours to perform the audit work. The unaudited annual results contained in this announcement have not been agreed with the Auditors as required under the Listing Rules but have been reviewed by the Audit Committee, since the audit is incomplete and the management is following up with the outstanding audit requests to facilitate completion of audit procedures.

DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS AND FURTHER ANNOUNCEMENT(S)

It is expected that the Company will issue further announcement(s) in relation to the audited annual results for FY2021 as agreed by the Auditors and the material differences (if any) as compared with the unaudited annual results contained in this announcement by the end of April 2022. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the audit progress.

As at the date of this announcement, the Company has not ascertained the impairment loss on the valuation of the property, plant and equipment of the Toys Division. Auditor is assessing the relevant documents provided by the Company to ascertain such impairment loss currently. The loss for the year of the Group may be adversely impacted had the impairment loss been ascertained.

The unaudited annual results of the Group for FY2021 as set out in this announcement have not been audited and have not been agreed with the Auditors, which are therefore subject to change and may differ from those to be appeared in the audited annual results of the Group. As such, shareholders of the Company and potential investors are advised to exercise due caution when dealing in the securities of the Company. Any shareholders of the Company and potential investors who are in doubt is advised to seek advice from professional or financial advisers.

PUBLICATION OF THE ANNUAL REPORT

The annual report of the Company for FY2021 all the information required by Appendix 16 to the Listing Rules will be published on the respective websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.winshine.com> in the manner as required by the Listing Rules and will be despatched to the Shareholders around the end of April 2022.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our shareholders, customers, bankers and other business associates for their continuing trust and support to the Group. I would also like to thank all Directors, the management team and our staff for their dedication, commitment and loyalty to the Group.

By Order of the Board
Winshine Science Company Limited
Zhao Deyong
Chairman

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises two Executive Directors, namely Mr. Zhao Deyong (Chairman) and Dr. Liao Wenjian (Chief Executive Officer); one Non-executive Director, namely Mr. Lin Shaopeng; and three Independent Non-executive Directors, namely Mr. Kwok Kim Hung Eddie, Mr. Ng Wai Hung and Mr. Zhao Yong.

* *For identification purpose only*