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 2020

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 2020 together with comparative figures as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE SIX MONTHS ENDED 30 JUNE 2020*

| | | Six months ended 30 June | |
|---|---|---|---|
| | *Notes* | **2020** **HK$'000** **(unaudited)** | 2019 *HK$'000* (unaudited) |
| **Revenue** | *4* | **111,870** | 165,402 |
| Cost of sales | | **(120,417)** | (153,688) |
| **Gross (loss) profit** | | **(8,547)** | 11,714 |
| Other income, gains and losses | *5* | **6,309** | 10,548 |
| Gain on disposal of subsidiaries | *15* | **7,991** | – |
| Selling and distribution costs | | **(1,908)** | (2,306) |
| Administrative expenses | | **(26,178)** | (30,545) |
| Research and development expenses | | **(336)** | (1,185) |
| Net realised loss on financial assets at fair value through profit or loss | | **(3,077)** | – |
| Net unrealised loss on financial assets at fair value through profit or loss | | **(84)** | (9,893) |
| Other operating expenses | | **(4,095)** | (9,856) |
| Finance costs | *6* | **(6,047)** | (6,843) |
| **Loss before tax** | | **(35,972)** | (38,366) |
| Income tax expense | *7* | **(607)** | (2,136) |
| **Loss for the period** | *8* | **(36,579)** | (40,502) |
| **Loss for the period attributable to the owners of the Company** | | **(36,579)** | (40,502) |
| **Loss per share** | | | |
| Basic and diluted | *10* | **(HK1.00 cents)** | (HK1.11 cents) |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2020*

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Loss for the period** | **(36,579)** | (40,502) |
| **Other comprehensive (expense) income** | | |
| *Item that will not be reclassified to profit or loss:* | | |
| Gain on revaluation of properties | **1,962** | 1,870 |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on arising on translation of foreign operations | **(4,985)** | (977) |
| Release of exchange reserve upon disposal of a subsidiary | **(79)** | – |
| Other comprehensive (expense) income for the period | **(3,102)** | 893 |
| **Total comprehensive expense for the period** | **(39,681)** | (39,609) |
| **Total comprehensive expense for the period attributable to the owners of the Company** | **(39,681)** | (39,609) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 JUNE 2020*

| | Notes | At 30 June 2020 HK$'000 (unaudited) | At 31 December 2019 HK$'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **135,958** | 135,168 |
| Right-of-use assets | 11 | **8,118** | 9,185 |
| Investment properties | | **108,386** | 110,518 |
| Deferred tax assets | | **7,517** | 7,517 |
| Rental deposits | | **110** | – |
| | | **260,089** | 262,388 |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | | **3,537** | 6,891 |
| Inventories | | **98,866** | 67,541 |
| Trade receivables | 12 | **75,474** | 84,779 |
| Loan receivables | | **9,615** | 9,615 |
| Prepayments, deposits and other receivables | | **17,072** | 17,088 |
| Pledged bank deposits | | **34,752** | 58,170 |
| Bank balances and cash | | **24,666** | 89,280 |
| | | **263,982** | 333,364 |
| **Current liabilities** | | | |
| Trade payables | 13 | **118,239** | 148,159 |
| Other payables and accruals | | **26,687** | 35,330 |
| Contract liabilities | | **1,794** | 542 |
| Borrowings | 14 | **260,098** | 209,441 |
| Lease liabilities | | **3,530** | 3,458 |
| Tax payables | | **3,028** | 2,083 |
| | | **413,376** | 399,013 |
| **Net current liabilities** | | **(149,394)** | (65,649) |
| **Total assets less current liabilities** | | **110,695** | 196,739 |
| **Non-current liabilities** | | | |
| Borrowings | | **–** | 45,000 |
| Lease liabilities | | **901** | 2,005 |
| Deferred tax liabilities | | **29,196** | 29,455 |
| | | **30,097** | 76,460 |
| **Net assets** | | **80,598** | 120,279 |
| **Capital and reserves** | | | |
| Share capital | | **366,186** | 366,186 |
| Deficit | | **(285,588)** | (245,907) |
| **Total equity** | | **80,598** | 120,279 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30 JUNE 2020*

## 1. CORPORATE INFORMATION

Winshine Science Company Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its address of 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"). Due to the delay in publication of the 2018 annual results and pursuant to the requirements of Rule 13.50 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), trading in the shares of the Company on the Stock Exchange has been suspended with effect from 1 April 2019 and resumed at 27 February 2020.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are manufacturing 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. BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated financial statements do not include all the information required for a complete set of financial statement prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019 (the "2019 Financial Statements").

The Group's ability to continue as a going concern.

For the six months ended 30 June 2020, the Group incurred a loss of approximately HK$36,579,000 and as at 30 June 2020, the Group had net current liabilities of approximately HK$149,394,000. The Group's bank balances and cash and pledge bank deposits amounted to approximately HK$24,666,000 and HK$34,752,000 respectively, in contrast to its borrowings of approximately HK$260,098,000 which are repayable within the next twelve months as disclosed in note 14.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

(i) negotiating with respective lenders to renew and extend existing borrowings upon their maturities, in which an extension agreement for the bank facilities entered into between the Group and the bank to extend the maturity date to 11 May 2021, detail of which is set out in note 14 to the condensed consolidated financial statements;

(ii) implementing an active cost-saving measures to control administrative costs through various ways to improve operating cash flows at a level sufficient to finance the working capital requirements of the Group; and

(iii) reviewing its investments and actively considering to realise certain of investment properties and/or listed securities held for trading, in order to enhance the cash flow position of the Group whenever it is necessary.

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 condensed consolidated financial statements and accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

Other than changes in accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the 2019 Financial Statements.

**Application of amendments to HKFRSs**

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

**Accounting policies newly applied by the Group**

***Government grants***

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "Other income, gains and losses".

## 4. REVENUE AND OPERATING SEGMENTS

Revenue represents revenue arising on sale of toy products for the year. The revenue relates to revenue from contracts with customers which is within the scope of HKFRS 15. 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.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Revenue from sales of finished goods of toy products | **111,870** | 165,402 |

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.

1. Securities investments: this segment derives its revenue from dividends received 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 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 six months ended 30 June 2020 and 2019

| | Securities investments | | Toys | | Medical and health | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Reportable segment revenue** | | | | | | | | |
| Revenue from external customers | **–** | – | **111,870** | 165,402 | **–** | – | **111,870** | 165,402 |
| **Reportable segment loss before tax** | **(3,188)** | (9,894) | **(29,348)** | (13,065) | **(336)** | (1,185) | **(32,872)** | (24,144) |
| Unallocated corporate income | | | | | | | **8,994** | 10,548 |
| Unallocated corporate expenses | | | | | | | **(12,094)** | (24,770) |
| **Loss before tax** | | | | | | | **(35,972)** | (38,366) |
| **Other segment information (included in the measure of segment profit or loss or regularly provided to chief operating decision maker)** | | | | | | | | |
| Depreciation of property, plant and equipment | **–** | – | **(5,281)** | (4,332) | **–** | – | **(5,281)** | (4,332) |
| Depreciation of right-of-use assets | **–** | – | **(630)** | (433) | **–** | – | **(630)** | (433) |
| (Write down) reversals of inventories, net | **–** | – | **(352)** | 828 | **–** | – | **(352)** | 828 |
| (Loss) gain on disposal of property, plant and equipment, net | **–** | – | **(12)** | 70 | **–** | – | **(12)** | 70 |
| Net realised loss on financial assets at fair value through profit or loss | **(3,077)** | – | **–** | – | **–** | – | **(3,077)** | – |
| Net unrealised loss on financial assets at fair value through profit or loss | **(84)** | (9,893) | **–** | – | **–** | – | **(84)** | (9,893) |
| Bank interest income | **–** | – | **449** | 15 | **–** | – | **449** | 15 |
| Interest expense | **–** | – | **(4,431)** | (5,155) | **–** | – | **(4,431)** | (5,155) |
| Research and development expenses | **–** | – | **–** | – | **(336)** | (1,185) | **(336)** | (1,185) |
| Purchases of property, plant and equipment | **–** | – | **1,580** | 9,956 | **–** | – | **1,580** | 9,956 |

**(b) Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

**As at 30 June 2020 (unaudited)**

| | **Securities investments** *HK$'000* | **Toys** *HK$'000* | **Medical and health** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| Reportable segment assets | **3,708** | **370,517** | **–** | **374,225** |
| Unallocated corporate assets | | | | **149,846** |
| **Total assets** | | | | **524,071** |
| Reportable segment liabilities | **–** | **(371,739)** | **–** | **(371,739)** |
| Unallocated corporate liabilities | | | | **(71,734)** |
| **Total liabilities** | | | | **(443,473)** |

As at 31 December 2019 (audited)

| | Securities investments *HK$'000* | Toys *HK$'000* | Medical and health *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Reportable segment assets | 6,896 | 436,890 | – | 443,786 |
| Unallocated corporate assets | | | | 151,966 |
| **Total assets** | | | | 595,752 |
| Reportable segment liabilities | – | (400,967) | – | (400,967) |
| Unallocated corporate liabilities | | | | (74,506) |
| **Total liabilities** | | | | (475,473) |

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

## 5. OTHER INCOME, GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Net foreign exchange gain | **4,002** | 1,279 |
| Rental income | **978** | 929 |
| Loan interest income | **481** | 1,258 |
| Bank interest income | **480** | 86 |
| Government grants *(note)* | **84** | – |
| (Loss) gain on disposal of property, plant and equipment, net | **(12)** | 70 |
| Change in fair value of investment properties | **–** | 6,021 |
| Mould income | **–** | 73 |
| Sundry income | **296** | 832 |
| | **6,309** | 10,548 |

*Note:*

During the current interim period, the Group recognised government grants of HK$84,000 in respect of COVID-19 related subsidies, which relates to Employment Support Scheme provided by the Hong Kong government.

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Interest on bank loans | **3,845** | 2,580 |
| Interest on corporate bonds | **1,515** | 1,506 |
| Interest on revolving loans | **375** | 2,212 |
| Interest on a short-term loan | **177** | 324 |
| Interest on lease liabilities | **135** | 221 |
| | **6,047** | 6,843 |

## 7. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| PRC Enterprise Income Tax ("EIT") | | |
| Current period | **607** | – |
| Deferred tax expense | **–** | 2,136 |
| Income tax expense | **607** | 2,136 |

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

The directors of the Company considered the amounts involved arising from the implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The Group is liable to withholding taxes on dividends distributed by the subsidiaries established in the PRC in respect of earnings generated from 1 January 2008. Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% is applied to the Group as there is a double tax treaty between the PRC and Hong Kong and the relevant Hong Kong companies should be qualified for the preferential tax rate based on the prescribed conditions.

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

## 8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Employee benefit expense (including directors' remunerations): | | |
| Wages and salaries | **49,774** | 52,154 |
| Other employee benefits | **656** | 1,931 |
| Contributions to defined contribution retirement plans | **3,981** | 5,643 |
| | **54,411** | 59,728 |
| Cost of inventories recognised as an expense (included in cost of sales) *(note a)* | **119,743** | 155,764 |
| Redundancy cost *(note b)* | **952** | – |
| Depreciation of property, plant and equipment | **5,471** | 4,738 |
| Depreciation of right-of-use assets | **1,540** | 1,650 |
| Write down (reversals) of inventories, net (included in cost of sales) | **352** | (828) |
| Operating lease charges in respect of land and buildings | **1,029** | 1,115 |

*Notes:*

(a) Cost of inventories included sub-contracting cost amounting to HK$25,851,000 (2019: HK$21,130,000).

(b) During the current interim period, certain expenses of approximately HK$952,000 directly related and attributable to COVID-19 event are classified under other operating expenses. The expenses were attributable to staff, space and depreciation expenses which the Group had to bear even though the affected plants were not operational in compliance with the respective government mandated closure of the plants.

## 9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 10. 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 | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Loss** | | |
| Loss attributable to owners of the Company for the purposes of basic and diluted loss per share | **(36,579)** | (40,502) |

| | ’000 | ’000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | **3,661,865** | 3,661,865 |

The computation of diluted loss per share for the six-month periods ended 30 June 2020 and 2019 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. As at 30 June 2020, all the share options were lapsed.

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired certain property, plant and equipment with an aggregate carrying amount of approximately HK$5,010,000 (for the six months ended 30 June 2019: HK$9,970,000). The Group disposed of machinery and equipment with an aggregate carrying amount of approximately HK$114,000 (for six months ended 30 June 2019: HK$1,707,000).

During the current interim period, the Group extended into a new lease agreement for the use of an office for two years and accordingly additional right-of-use assets amounted to HK$821,000 (for six months 30 June 2019: 1,461,000) have been recognised during the current period. The Group is required to make fixed monthly payments during the contract period.

## 12. TRADE RECEIVABLES

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

The following is an aged analysis of trade receivables (net of provision of expected credit losses), presented based on the invoice dates, which approximated the revenue recognition date.

| | **At 30 June 2020** *HK$’000* **(unaudited)** | At 31 December 2019 *HK$’000* (audited) |
|---|---|---|
| 0 to 30 days | **50,541** | 41,720 |
| 31 to 90 days | **24,271** | 42,433 |
| Over 90 days | **662** | 626 |
| | **75,474** | 84,779 |

## 13. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

| | At 30 June 2020 HK$'000 (unaudited) | At 31 December 2019 HK$'000 (audited) |
|---|---|---|
| 0 to 30 days | **77,884** | 58,318 |
| 31 to 90 days | **20,911** | 46,087 |
| Over 90 days | **19,444** | 43,754 |
| | **118,239** | 148,159 |

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

## 14. BORROWINGS

| | At 30 June 2020 (unaudited) Contractual interest rate (%) | HK$'000 | At 31 December 2019 (audited) Contractual interest rate (%) | HK$'000 |
|---|---|---|---|---|
| Bank loans – secured *(note a)* | **Fixed rates of 2.8% to 5.22% per annum** | **146,680** | Fixed rates of 3.35% to 5.22% per annum | 154,715 |
| – secured *(note b)* | **Fixed rate of 4.00% per annum** | **32,418** | Fixed rate of 4.00% per annum | 54,726 |
| Corporate bonds – secured *(note c)* | **Fixed rate of 6.75% per annum** | **45,000** | Fixed rate of 6.75% per annum | 45,000 |
| Term loan – secured *(note d)* | **Fixed rate of 12% per annum** | **11,000** | N/A | – |
| **Sub-total of secured borrowings** | | **235,098** | | 254,441 |
| Revolving loans – unsecured *(note e)* | **Fixed rate of 12% per annum** | **25,000** | Fixed rate of 12% per annum | – |
| | | **260,098** | | 254,441 |
| Analysed as | | | | |
| Non-current | | **–** | | 45,000 |
| Current | | **260,098** | | 209,441 |
| | | **260,098** | | 254,441 |

The above loans are measured at amortised costs.

*Notes:*

(a) As at 30 June 2020, the bank loans were secured by mortgage over the Group's leasehold buildings and leasehold lands under right-of-use assets with aggregate carrying amount of approximately HK$102,000,000 (31 December 2019: HK$102,000,000) and approximately HK$3,658,000 (31 December 2019: HK$3,729,000) respectively.

The total banking facilities granted to the Group amounted to RMB150,000,000 (equivalent to approximately HK$164,222,000) (31 December 2019: RMB150,000,000 (equivalent to approximately HK$167,452,000)) of which approximately HK$146,680,000 (31 December 2019: HK$154,715,000) were utilised as at 30 June 2020. As at 19 May 2020, the Group has entered into an extension agreement to extend the maturity date to 11 May 2021.

(b) The bank borrowings were secured by pledge over the Group's bank deposits of approximately HK$34,752,000 as at 30 June 2020 (31 December 2019: HK$58,170,000).

As at 30 June 2020, the total banking facilities amounted to RMB100,000,000 (equivalent to approximately HK$109,481,000) (31 December 2019: RMB100,000,000 (equivalent to approximately HK$111,635,000)) are available to the Group when further security to be pledged to the bank, of which approximately RMB29,611,000 (equivalent to HK$32,418,000) (31 December 2019: RMB49,023,000 (equivalent to HK$54,726,000)) were utilised as at 30 June 2020. As at 19 May 2020, the Group has entered into an extension agreement to extend the maturity date to 11 May 2021.

(c) On 7 December 2016, corporate bonds amounted to HK$45,000,000 were issued by the Company, bearing interest of 6% per annum and payable semi-annually in arrears, and with maturity in two years, of which are secured by pledge of shares of a subsidiary of the Company.

The corporate bonds had become due and payable on its maturity date of 6 December 2018. As at 31 December 2018, the Group defaulted on the repayment of the corporate bonds and further negotiated with the bond holder for extension. On 23 August 2019, by successfully entering into a deed of waiver and a supplemental deed poll to the bond instrument executed by the Company, the Group was discharged and released from the obligation and liabilities which arose from the default and the maturity date was extended to 30 September 2020. The corporate bonds then bear interest at 6.75% per annum from 7 December 2018 to 30 September 2020. As at 27 December 2019, an extension deed was signed, which the maturity date was further extended to 31 March 2021.

(d) On 13 May 2020, the Group has obtained a term loan of HK$11,000,000 at a fixed rate of 12% per annum from an independent third party, with a maturity in one year. The loan is secured by pledge of shares of a subsidiary of the Group and a first floating charge over the assets of a subsidiary of the Group to the lender.

(e) The revolving loans utilised with carrying amount of HK$25,000,000 as at 30 June 2020 (31 December 2019: nil), repayable within one year, were granted by a substantial shareholder of the Company and guaranteed by the Company. The revolving loans had unutilised amount of HK$25,000,000 (31 December 2019: HK$50,000,000) as at 30 June 2020. As at 8 October 2019, the Group entered into an extension agreement to extend the maturity date to 30 September 2020. As at 31 December 2019, the Group entered into another extension agreement to further extend the maturity date to 31 March 2021.

## 15. DISPOSAL OF SUBSIDIARIES

During the current interim period, 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** | **Amazing Express** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| 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 | 2,000 | 45 | 2,045 |
| Less: Bank balances and cash disposed of | (124) | (9) | (133) |
| | 1,876 | 36 | 1,912 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020 (30 June 2019: nil).

### BUSINESS REVIEW

For the interim period ended 30 June 2020, the Group recorded a revenue of HK$111.9 million, representing a decrease of 32.4% from the revenue of HK$165.4 million for the interim period at 30 June 2019. The revenue decrease was mainly due to the impact of 2019 novel coronavirus disease ("COVID-19").

The securities investment division recorded a loss of HK$3.1 million in the interim period on 30 June 2020, compared with a loss of HK$9.9 million in the interim period ending 30 June 2019, representing a decrease of losses of 68.0% year-on-year.

For the interim period ended 30 June 2020, the Group net loss decreased by 9.6% to HK$36.6 million compared with HK$40.5 million in last year period ended. The main reason for the loss decrease was the result of implemented active cost-saving measurements and the decrease in losses on securities investment division. The Group recorded a gain on disposal on the medical and health project disposed during the period.

#### Toys Division

For the interim period ended 30 June 2020, revenue of toys division decreased by 32.4% to HK$111.9 million. The significant decrease was mainly due to the impact of COVID-19. The COVID-19 caused the suspension of the toy factory and lead to a decrease in the production. As a result of the trade war between the People's Republic of China ("PRC") and United States of America, the customers shifted parts of their supply from the PRC. This conflict put pressure on product margins, new orders placed and delayed order placement, causing gross loss for the interim period ended 30 June 2020. Toys division showed a loss of HK$29.3 million compared with a HK$13.1 million loss in the same period in 2019.

#### Securities investments

During the six months period ended 30 June 2020, the Hong Kong stock market experienced a great fluctuation, as factors such as COVID-19 and China-US trade war. The Group adopted a conservative strategy in managing its investment portfolio during the period. The securities investments division recorded a 68.0% improvement, representing the reduced loss from HK$9.9 million to HK$3.1 million as compared with interim period in 2019.

At the end of 30 June 2020, the Group securities portfolio was valued at HK$3.5 million compared with the end of 2019 at HK$6.9 million on a fair value basis. The Group did not receive any dividend income in both interim periods.

#### Medical and Health Division

During the first half of 2020 the group disposed the medical research project for a consideration of HK$8 million. The net proceeds from the Disposal will be used for working capital of the Group and investment in other business.

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

At 30 June 2020, the Group had current assets of HK$263,982,000 (31 December 2019: HK$333,364,000) comprising cash and cash equivalents of HK$24,666,000 (31 December 2019: HK$89,280,000). The Group's current ratio, calculated as current assets divided by current liabilities of HK$413,376,000 (31 December 2019: HK$399,013,000), remained at a ratio of 0.64(31 December 2019: 0.84).

At the period end, the Group's trading securities amounted to HK$3,537,000, representing a decrease of 48.7% from that of the previous year ended 31 December 2019: HK$6,891,000. The Group's borrowings at 30 June 2020 and at 31 December 2019 were all denominated in Hong Kong dollars. All borrowings totalling HK$260,098,000 (31 December 2019: HK$254,441,000).

As of 30 June 2020, the equity attributable to owners of the Company decreased by 33.0% to HK$80,598,000 (31 December 2019: HK$120,279,000) mainly as a result of the loss incurred during the period. The Group financed its operations through a combination of debt financing and shareholder's equity. The Group's gearing ratio was determined as its net debt divided by total equity plus net debt where net debt included borrowings, trade payables and other payables less cash and cash equivalents. The gearing ratio of the Group at 30 June 2020 was approximately 82% (31 December 2019: 71%).

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. Looking forward, the key to the Company's successes lies in a continued improvement of the profitability of our toys business and, more importantly, re-deployment of our energy and assets in high growth and more profitable businesses. We are confident that we stand a good chance in those endeavors.

## PROSPECTS

Given the worldwide impact from COVID-19, the Group is facing tremendous uncertainties in respect to its toy business, however, the management is devoted to reduce the toy business's loss at the minimum level. At the same time, the board of directors will look for other business opportunities other than toy business.

## CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2020.

## 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 2020.

## 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 2020. 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 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

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

Hong Kong, 28 August 2020

*As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Zhao Deyong (Chairman), Mr. Liu Michael Xiao Ming (Chief Executive Officer) and Mr. Luo Lianjun; 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 Ms. Shi Xiaolei.*

* *For identification purpose only*