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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)**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

The Board of Directors (the “Board”) of Winshine Science Company Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020 together with comparative figures as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*FOR THE YEAR ENDED 31 DECEMBER 2020*

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Revenue</b>	<b>4</b>	<b>364,311</b>	649,490
Cost of sales		<u>(345,796)</u>	<u>(574,551)</u>
Gross profit		<b>18,515</b>	74,939
Other income, gains and losses	<b>5</b>	<b>(6,999)</b>	16,822
Provision of expected credit loss for loan receivables, net	<b>6</b>	<b>(8,952)</b>	(1,082)
Provision of expected credit loss for loan interest receivables	<b>6</b>	<b>(2,565)</b>	(1,008)
Provision of expected credit loss for trade receivables	<b>6</b>	<b>(2,603)</b>	(434)
Gain on disposal of subsidiaries	<b>19</b>	<b>7,991</b>	–
Selling and distribution costs		<b>(4,109)</b>	(6,403)
Administrative expenses		<b>(58,326)</b>	(73,907)
Research and development expenses		<b>(336)</b>	(2,523)

		<b>2020</b>	2019
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Changes in fair value of financial assets at fair value through profit or loss		<b>(2,929)</b>	(10,689)
Other operating expenses		<b>(28,358)</b>	(14,404)
Finance costs	7	<b>(13,449)</b>	(14,785)
<b>Loss before tax</b>		<b>(102,120)</b>	(33,474)
Income tax credit (expense)	8	<b>6,341</b>	(8,948)
<b>Loss for the year</b>	9	<b>(95,779)</b>	(42,422)
<b>Loss for the year attributable to the owners of the Company</b>		<b>(95,779)</b>	(42,422)
<b>Loss per share</b>	11		
Basic and diluted		<b>(HK2.62cents)</b>	(HK1.16cents)

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

*FOR THE YEAR ENDED 31 DECEMBER 2020*

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(95,779)</b>	(42,422)
<b>Other comprehensive income (expense)</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Gain on revaluation of properties	<b>2,843</b>	4,741
Deferred tax credit (charge) arising from revaluation surplus of properties	<b>449</b>	(400)
	<b>3,292</b>	4,341
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<b>10,188</b>	(5,977)
Release of exchange reserve upon disposal of a subsidiary	<b>(79)</b>	—
Other comprehensive income (expense) for the year	<b>13,401</b>	(1,636)
<b>Total comprehensive expense for the year</b>	<b>(82,378)</b>	(44,058)
<b>Total comprehensive expense for the year attributable to the owners of the Company</b>	<b>(82,378)</b>	(44,058)

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*AT 31 DECEMBER 2020*

		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>141,549</b>	135,168
Right-of-use assets		<b>6,537</b>	9,185
Investment properties		<b>106,702</b>	110,518
Deferred tax assets		<b>7,517</b>	7,517
		<b>262,305</b>	262,388
<b>Current assets</b>			
Financial assets at fair value through profit or loss		<b>1,761</b>	6,891
Inventories	<i>13</i>	<b>93,360</b>	67,541
Trade receivables	<i>14</i>	<b>55,776</b>	84,779
Loan receivables	<i>12</i>	<b>1,787</b>	9,615
Prepayments, deposits and other receivables	<i>15</i>	<b>10,094</b>	17,088
Pledged bank deposits		<b>3,463</b>	58,170
Bank balances and cash		<b>56,142</b>	89,280
		<b>222,383</b>	333,364
<b>Current liabilities</b>			
Trade payables	<i>16</i>	<b>140,590</b>	148,159
Other payables and accruals	<i>17</i>	<b>42,129</b>	35,330
Contract liabilities		<b>1,700</b>	542
Borrowings	<i>18</i>	<b>232,906</b>	209,441
Lease liabilities		<b>2,363</b>	3,458
Tax payables		<b>2,933</b>	2,083
		<b>422,621</b>	399,013
<b>Net current liabilities</b>		<b>(200,238)</b>	(65,649)
<b>Total assets less current liabilities</b>		<b>62,067</b>	196,739

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Borrowings	18	–	45,000
Lease liabilities		<b>533</b>	2,005
Deferred tax liabilities		<b>23,633</b>	29,455
		<u><b>24,166</b></u>	<u>76,460</u>
<b>Net assets</b>		<u><b>37,901</b></u>	<u>120,279</u>
<b>Capital and reserves</b>			
Share capital		<b>366,186</b>	366,186
Deficit		<b>(328,285)</b>	(245,907)
<b>Total equity</b>		<u><b>37,901</b></u>	<u>120,279</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 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”). 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 had been suspended with effect from 1 April 2019 and resumed on 27 February 2020.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are manufacturing for sale of toys, securities investments and medical and health.

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 2020, the Group incurred a loss of approximately HK\$95,779,000 and as at 31 December 2020, the Group had net current liabilities of approximately HK\$200,238,000. The Group’s bank balances and cash and pledged bank deposits amounted to approximately HK\$56,142,000 and HK\$3,463,000 respectively, in contrast to its borrowings of approximately HK\$232,906,000, which are repayable within the next twelve months from the end of the reporting period.

The directors of the Company consider that the Group will have adequate funds available to enable it to operate as a going concern based on the Group’s cash flow projection which takes into account the following measures with a view to improving the Group’s liquidity:

- 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 2022;
  - (b) the repayment term of the term loan of HK\$11,000,000 has been extended to 13 May 2022;
  - (c) the expiry date of the unsecured revolving loan facility amounted to HK\$50,000,000, of which HK\$20,000,000 was utilised as of 31 December 2020, has been extended to 31 March 2022; and
  - (d) the expiry date of the bank facilities of RMB150,000,000 (equivalent to approximately HK\$178,232,000), of which RMB141,768,000 (equivalent to approximately HK\$168,450,000) was utilised as of 31 December 2020, secured by the Group’s leasehold buildings and leasehold lands under right-of-use assets has been extended to 25 March 2022.

- ii. a subsidiary which is principally engaged in investment property holding for a consideration of RMB40,000,000 (equivalent to approximately HK\$47,529,000) has been disposed pursuant to the sale and purchase agreement entered into on 15 March 2021 to increase the Group's liquid funds;
- iii. 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;
- iv. reviewing its investments and actively considering to realise other investment properties and/or listed securities held for trading, in order to enhance the cash flow position of the Group whenever it is necessary; and
- v. 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.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

#### **New and amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS1 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 the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>4</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>4</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 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.

	2020 HK\$'000	2019 HK\$'000
Revenue from sales of finished goods of toy products	<u>364,311</u>	<u>649,490</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 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
<b>Reportable segment revenue</b>								
Revenue from external customers	<u>-</u>	<u>-</u>	<u>364,311</u>	<u>649,490</u>	<u>-</u>	<u>-</u>	<u>364,311</u>	<u>649,490</u>
<b>Reportable segment (loss) profit before tax</b>	<u>(2,876)</u>	<u>(10,690)</u>	<u>(61,646)</u>	<u>13,065</u>	<u>(336)</u>	<u>(2,523)</u>	<u>(64,858)</u>	<u>(148)</u>
Unallocated corporate income							15,118	13,306
Unallocated corporate expenses							<u>(52,380)</u>	<u>(46,632)</u>
<b>Loss before tax</b>							<u><u>(102,120)</u></u>	<u><u>(33,474)</u></u>

## 5. OTHER INCOME, GAINS AND LOSSES

	2020 HK\$'000	2019 HK\$'000
Bank interest income	1,363	88
Loan interest income	962	2,019
Changes in fair value of investment properties	(10,344)	7,045
Net foreign exchange (loss) gain	(4,766)	4,279
Mould income	867	1,114
Rental income	1,913	1,870
(Loss) gain on disposal of property, plant and equipment, net	(68)	73
Government grants	2,702	–
Sundry income	372	334
	<u>(6,999)</u>	<u>16,822</u>

## 6. PROVISION FOR EXPECTED CREDIT LOSSES

	2020 HK\$'000	2019 HK\$'000
Provision of ECL for loan receivables	8,952	4,372
Provision of ECL for loan interest receivables	2,565	1,008
Reversal of provision of ECL for loan receivables	–	(3,290)
Provision of ECL for trade receivables	2,603	434
	<u>2,603</u>	<u>434</u>

## 7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank loans	7,102	6,416
Interest on corporate bonds	3,054	3,052
Interest on revolving loans	2,178	3,768
Interest on short-term loans	843	1,141
Interest on lease liabilities	272	408
	<u>13,449</u>	<u>14,785</u>

## 8. INCOME TAX (CREDIT) EXPENSE

	2020 HK\$'000	2019 HK\$'000
Hong Kong Profits Tax		
Current year	–	95
Overprovision in prior years	(95)	–
People's Republic of China (the "PRC") Enterprise Income Tax		
Current year	–	2,957
Under (over) provision in prior years	607	(424)
	<u>512</u>	<u>2,628</u>
Deferred tax (credit) expense	<u>(6,853)</u>	<u>6,320</u>
Income tax (credit) expense	<u><u>(6,341)</u></u>	<u><u>8,948</u></u>

## 9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2020 HK\$'000	2019 HK\$'000
Employee benefit expense (including directors' remunerations):		
Wages and salaries	99,604	114,953
Other employee benefits	1,026	5,404
Contributions to defined contribution retirement plans	7,587	9,681
	<u>108,217</u>	<u>130,038</u>
Auditors' remuneration	1,311	1,831
Cost of inventories recognised as an expense (included in cost of sales)	345,001	568,886
Idle capacity costs (included in other operating expenses)	23,561	–
Depreciation of property, plant and equipment	11,149	10,029
Depreciation of right-of-use assets	3,731	3,535
Write-off on trade receivables	–	139
Write down of inventories, net (included in cost of sales)	1,929	4,406
Short-term lease charges in respect of land and buildings	1,470	1,712
Professional fee (included in other operating expenses)	4,797	11,075

## 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Loss</b>		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(95,779)</u>	<u>(42,422)</u>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
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 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.

## 12. LOAN RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fixed-rate loan receivables	17,124	16,000
Less: provision of ECL	<u>(15,337)</u>	<u>(6,385)</u>
	<u>1,787</u>	<u>9,615</u>
<b>Analysed as</b>		
Current	<u>1,787</u>	<u>9,615</u>

### 13. INVENTORIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Raw materials	27,672	21,629
Work in progress	51,920	37,263
Finished goods	13,768	8,649
	<u>93,360</u>	<u>67,541</u>

### 14. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables, gross	58,951	85,351
Less: provision of ECL	<u>(3,175)</u>	<u>(572)</u>
Trade receivables, net	<u>55,776</u>	<u>84,779</u>

At as 31 December 2020, the gross carrying amount of trade receivables arising from contracts with customers amounted to approximately HK\$58,951,000 (2019: HK\$85,351,000).

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	39,044	41,720
31 to 90 days	15,848	42,433
Over 90 days	<u>884</u>	<u>626</u>
	<u>55,776</u>	<u>84,779</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**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Prepayments	3,032	2,590
Value-added tax recoverable arising from toys segment	2,621	5,902
Rental deposits	1,066	963
Loan interest receivables	217	1,820
Others	3,158	5,813
	<u>10,094</u>	<u>17,088</u>

**16. TRADE PAYABLES**

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	77,107	58,318
31 to 90 days	30,873	46,087
Over 90 days	32,610	43,754
	<u>140,590</u>	<u>148,159</u>

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

**17. OTHER PAYABLES AND ACCRUALS**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bills payables for purchasing raw materials	11,544	—
Accrued staff costs	10,694	11,787
Accruals	10,069	10,422
Deposit received for disposal of a subsidiary	5,188	4,874
Other payables	3,836	7,326
Tenant deposits received	798	921
	<u>42,129</u>	<u>35,330</u>

## 18. BORROWINGS

	2020		2019	
	<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>	
Bank loans				
– secured	Fixed rates of 3.60% to 5.22% per annum	156,906	Fixed rates of 3.35% to 5.22% per annum	154,715
– secured	–	–	Fixed rates of 4.00% per annum	54,726
Corporate bonds				
– secured	Fixed rates of 6.75% per annum	45,000	Fixed rates of 6.75% per annum	45,000
Term loan				
– secured	Fixed rates of 12.00% per annum	11,000	–	–
Sub-total of secured borrowings		<u>212,906</u>		<u>254,441</u>
Revolving loans				
– unsecured	Fixed rates of 12.00% per annum	20,000	–	–
		<u>232,906</u>		<u>254,441</u>
Analysed as				
Non-current		–		45,000
Current		<u>232,906</u>		<u>209,441</u>
		<u>232,906</u>		<u>254,441</u>

The above loans are measured at amortised costs.



## 19. 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:

	<b>Excellent Harvest HK\$'000</b>	<b>Amazing Express HK\$'000</b>	<b>Total HK\$'000</b>
Bank balances and cash	124	9	133
Shareholders' loans	(11,140)	(1,645)	(12,785)
Other payables and accruals	(745)	–	(745)
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
Total cash consideration	<b>8,000</b>	<b>45</b>	<b>8,045</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
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)
	<hr/>	<hr/>	<hr/>
	<b>7,876</b>	<b>36</b>	<b>7,912</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 20. EVENTS AFTER END OF THE REPORTING PERIOD

On 15 March 2021, the Group entered into a sale and purchase agreement with a third party (“Third Party Purchaser”) to sell its 100% equity interest in a subsidiary, which is engaged in investment property holding at a cash consideration of RMB40,000,000 (equivalent to approximately HK\$47,529,000).

On 19 March 2021, the Group received 10% of the consideration from the Third Party Purchaser amounted to RMB4,000,000 (equivalent to approximately HK\$4,753,000).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINAL DIVIDEND**

The Board does not recommend the payment of final dividend in respect of the year ended 31 December 2020 (“FY 2020”) (2019: nil).

### **BUSINESS REVIEW**

For the financial year ended 31 December 2020, the Group recorded revenue of approximately HK\$364.3 million, representing a decrease of 43.9% from the revenue of approximately HK\$649.5 million for the year ended 31 December 2019 (“FY 2019”).

The decrease was mainly due to the performance of our toy’s division. Gross profit for the year amounted to HK\$18.5 million, decreased by 75.3% compared with that of HK\$74.9 million in FY 2019 as a result of increasing pressure on pricing policy, appreciation on RMB and suspension of production.

The securities investments division recorded a loss of HK\$2.9 million in FY 2020, compared with HK\$10.7 million in FY 2019, representing a decrease of 72.9% year-on-year.

For the FY 2020, the net loss of the Group increased by 125.9% to HK\$95.8 million compared with HK\$42.4 million in FY 2019. The main reason for the increase was the low gross profit caused by 2019 novel coronavirus disease (“COVID-19”).

The following will discuss each of the sections of the Group.

#### **Toys Division**

For the FY 2020, revenue of the toys division decreased by 43.9% to HK\$364.3 million as a result of a cancelled order from major customers due to the economic down turn caused by COVID-19. As a result of keen competition on product selling price and increasing cost of production caused by the appreciation of RMB and increasing cost of raw materials, the gross profit decreased to HK\$18.5 million (2019: HK\$74.9 million). As a result, the toys division increased reported segment loss before taxation to HK\$61.6 million (2019: profit before taxation HK\$13.1 million).

#### **Securities Investments Division**

During the year, the Hong Kong stock market turned out to be extremely volatile, the effect of COVID-19, and lead to a pandemic breakout throughout the globe in the early part of the year, the stock market was steady recover during the year. The Group adopted a conservative strategy in managing its investment portfolio during the year. As a result, the securities investments division recorded a HK\$2.9 million loss, representing a 72.9% decrease as compared with FY 2019. As at 31 December 2020, the Group securities portfolio was valued at HK\$1.7 million (2019: HK\$6.9 million). The Group has received dividend income amounted to HK\$97,000 (2019: nil) in FY 2020.

## **Medical and Health Division**

During FY 2020, the Group disposed its medical research project in Success Impact Corporation for a consideration of HK\$8 million. The net proceeds arising from the Disposal are approximately HK\$8 million which will be used for working capital of the Group and investment in other business.

## **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 2020, the Group had net current liabilities of HK\$200.2 million (2019: HK\$65.6 million) comprising cash and cash equivalents of HK\$56.1 million (2019: HK\$89.3 million) (excluding pledged bank deposits).

The equity attributable to owners of the Company decreased by 68.5% to HK\$37.9 million (2019: HK\$120.3 million) 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 2020 was 90% (2019: 71%).

Despite the loss incurred by the Group and the net current liabilities status at the end of FY 2020, the financial position of the Group remains healthy with the loan extensions obtained and disposal of an asset after the financial year end, and 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.

## **PROSPECTS**

Due to the COVID-19, the toy division experienced tremendous pressure on product margins and turnover in FY 2020. However, the toys factory has already managed to restart its operation after a closed down period due to COVID-19, and a stabilized RMB exchange rate and lower material cost are expected to be favourable in 2021. 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 15 March 2021, the Group entered into a sale and purchase agreement with a third party to sell its 100% equity interest in a subsidiary, which is engaged in holding an investment property in Suzhou, for a cash consideration of RMB40,000,000.

Looking forward, we are cautiously optimistic as our toys division continues to perform in the marketplace and the Board sets to start to explore new business opportunity on a much lower management cost.

## **CORPORATE GOVERNANCE**

During the financial year ended 31 December 2020, the Company had complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

## **AUDIT COMMITTEE**

The annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, Moore Stephens CPA Limited ("Moore Stephens").

## **SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens on the preliminary announcement.

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

During the year ended 31 December 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, 30 March 2021

*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*