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 2021

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 2021 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**263,462**	111,870
Cost of sales		**(257,278)**	(120,417)
Gross profit (loss)		**6,184**	(8,547)
Other income, gains and losses	*5*	**2,269**	6,309
Gain on disposal of subsidiaries		**–**	7,991
Selling and distribution costs		**(2,304)**	(1,908)
Administrative expenses		**(26,922)**	(26,178)
Research and development expenses		**–**	(336)
Net realised gain (loss) on financial assets at fair value through profit or loss		**100**	(3,077)
Net unrealised loss on financial assets at fair value through profit or loss		**–**	(84)
Other operating expenses		**(4,132)**	(4,095)
Finance costs	*6*	**(7,457)**	(6,047)
Loss before tax		**(32,262)**	(35,972)
Income tax credit (expense)	*7*	**1,039**	(607)
Loss for the period	*8*	**(31,223)**	(36,579)
Loss for the period attributable to the owners of the Company		**(31,223)**	(36,579)
Loss per share			
Basic and diluted	*10*	**(HK0.85 cents)**	(HK1.00 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(31,223)**	(36,579)
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss:		
Gain on revaluation of properties	**2,160**	1,962
Deferred tax charge arising from revaluation surplus of properties	**(864)**	–
	1,296	1,962
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on arising on translation of foreign operations	**1,086**	(4,985)
Release of exchange reserve upon disposal of a subsidiary	**–**	(79)
Other comprehensive income (expense) for the period	**2,382**	(3,102)
Total comprehensive expense for the period	**(28,841)**	(39,681)
Total comprehensive expense for the period attributable to the owners of the Company	**(28,841)**	(39,681)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	Notes	At 30 June 2021 HK$'000 (unaudited)	At 31 December 2020 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**141,633**	141,549
Right-of-use assets	*11*	**8,965**	6,537
Investment properties		**59,608**	106,702
Deferred tax assets		**7,517**	7,517
Rental deposits		**747**	–
		218,470	262,305
Current assets			
Financial assets at fair value through profit or loss		**–**	1,761
Inventories		**174,339**	93,360
Trade receivables	*12*	**79,620**	55,776
Loan receivables		**1,865**	1,787
Prepayments, deposits and other receivables		**12,991**	10,094
Pledged bank deposits		**–**	3,463
Bank balances and cash		**46,760**	56,142
		315,575	222,383
Assets classified as held for sale	*13*	**51,092**	–
		366,667	222,383
Current liabilities			
Trade payables	*14*	**241,059**	140,590
Other payables and accruals		**30,955**	42,129
Contract liabilities		**2,653**	1,700
Borrowings	*15*	**263,301**	232,906
Lease liabilities		**3,875**	2,363
Tax payables		**2,933**	2,933
		544,776	422,621
Liabilities associated with assets classified as held for sale	*13*	**11,991**	–
		556,767	422,621
Net current liabilities		**(190,100)**	(200,238)
Total assets less current liabilities		**28,370**	62,067
Non-current liabilities			
Lease liabilities		**1,417**	533
Deferred tax liabilities		**17,893**	23,633
		19,310	24,166
Net assets		**9,060**	37,901
Capital and reserves			
Share capital		**366,186**	366,186
Deficit		**(357,126)**	(328,285)
Total equity		**9,060**	37,901

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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").

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 2021 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 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 2020 (the "2020 Financial Statement").

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

For the six months ended 30 June 2021, the Group incurred a loss of approximately HK$31,223,000 and as at 30 June 2021, the Group had net current liabilities of approximately HK$190,100,000. The Group's bank balances and cash amounted to approximately HK$46,760,000, in contrast to its borrowings of approximately HK$263,301,000 which are repayable within the next twelve months as disclosed in note 15.

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

(i) in negotiating with respective lenders to renew and extend existing borrowings upon their maturities;

(ii) disposing a subsidiary which is principally engaged in investment property holding for a consideration of RMB40,000,000 (equivalent to approximately HK$48,071,000) pursuant to the sale and purchase agreement entered on 15 March 2021, as disclosed in note 13 to the condensed consolidated financial statements, to increase the Group's liquid funds;

(iii) implementing an active cost-saving measures to control administrative costs through various channels 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 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; 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 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, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the 2020 Financial Statements.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the 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 Group's condensed 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 interim 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.

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 contract 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	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from sales of finished goods of toy products	**263,462**	111,870

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 profit (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 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*
Reportable segment revenue								
Revenue from external customers	**–**	–	**263,462**	111,870	**–**	–	**263,462**	111,870
Reportable segment profit (loss) before tax	**93**	(3,188)	**(25,920)**	(29,348)	**–**	(336)	**(25,827)**	(32,872)
Unallocated corporate income							**2,634**	8,994
Unallocated corporate expenses							**(9,069)**	(12,094)
Loss before tax							**(32,262)**	(35,972)
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	**–**	–	**(5,134)**	(5,281)	**–**	–	**(5,134)**	(5,281)
Depreciation of right-of-use assets	**–**	–	**(738)**	(630)	**–**	–	**(738)**	(630)
Write down of inventories, net	**–**	–	**(517)**	(352)	**–**	–	**(517)**	(352)
Gain (loss) on disposal of property, plant and equipment, net	**–**	–	**64**	(12)	**–**	–	**64**	(12)
Net realised gain (loss) on financial assets at fair value through profit or loss	**100**	(3,077)	**–**	–	**–**	–	**100**	(3,077)
Net unrealised loss on financial assets at fair value through profit or loss	**–**	(84)	**–**	–	**–**	–	**–**	(84)
Bank interest income	**–**	–	**46**	449	**–**	–	**46**	449
Interest expense	**–**	–	**(5,969)**	(4,431)	**–**	–	**(5,969)**	(4,431)
Research and development expenses	**–**	–	**–**	–	**–**	(336)	**–**	(336)
Purchases of property, plant and equipment	**–**	–	**4,387**	1,580	**–**	–	**4,387**	1,580

(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 2021 (unaudited)

	Securities investments *HK$'000*	**Toys** *HK$'000*	**Medical and health** *HK$'000*	**Total** *HK$'000*
Reportable segment assets	**–**	**457,250**	**–**	**457,250**
Unallocated corporate assets				**127,887**
Total assets				**585,137**
Reportable segment liabilities	**–**	**(492,048)**	**–**	**(492,048)**
Unallocated corporate liabilities				**(84,029)**
Total liabilities				**(576,077)**

As at 31 December 2020 (audited)

	Securities investments *HK$'000*	Toys *HK$'000*	Medical and health *HK$'000*	Total *HK$'000*
Reportable segment assets	1,770	369,448	–	371,218
Unallocated corporate assets				113,470
Total assets				484,688
Reportable segment liabilities	–	(386,909)	–	(386,909)
Unallocated corporate liabilities				(59,878)
Total liabilities				(446,787)

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

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net foreign exchange (loss) gain	**(1,093)**	4,002
Rental income	**845**	978
Loan interest income	**97**	481
Bank interest income	**50**	480
Government grants	**–**	84
Gain (loss) on disposal of property, plant and equipment, net	**65**	(12)
Mould income	**663**	–
Sundry income *(note)*	**1,642**	296
	2,269	6,309

Note: During the current interim period, 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. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank loans	**3,206**	3,845
Interest on short-term loans	**2,002**	177
Interest on corporate bonds	**1,506**	1,515
Interest on revolving loans	**655**	375
Interest on lease liabilities	**88**	135
	7,457	6,047

7. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The People's Republic of China (the "PRC")		
Enterprise Income Tax ("EIT")		
Current period	**–**	607
Deferred tax credit	**(1,039)**	–
Income tax (credit) expense	**(1,039)**	607

Under the Law of the PRC 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	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Employee benefit expense (including directors' remunerations):		
Wages and salaries	**49,330**	49,774
Other employee benefits	**339**	656
Contributions to defined contribution retirement plans	**4,988**	3,981
	54,657	54,411
Cost of inventories recognised as an expense (included in cost of sales) *(note a)*	**256,746**	119,743
Idle capacity cost (included in other operating expenses) *(note b)*	**–**	952
Depreciation of property, plant and equipment	**5,860**	5,471
Depreciation of right-of-use assets	**1,974**	1,540
Write down of inventories, net (included in cost of sales)	**517**	352
Operating lease charges in respect of land and buildings	**303**	1,029

Notes:

(a) Cost of inventories included sub-contracting cost amounting to HK$44,828,000 (2020: HK$25,851,000).

(b) During the six months ended 30 June 2020, certain expenses of approximately HK$952,000 directly related and attributable to COVID-19 were 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 factory was under an idle capacity or was not operational due to the respective social distancing and other measures imposed by government and the Group during the pandemic.

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	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(31,223)**	(36,579)
	'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 period ended 30 June 2020 did 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. No diluted loss per share for the six-month period ended 30 June 2021 is presented as there were no potential dilutive shares in issue for the period.

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$4,387,000 (for the six months ended 30 June 2020: HK$5,010,000). The Group disposed of machinery and equipment with an aggregate carrying amount of approximately HK$338,000 (for six months ended 30 June 2020: HK$114,000).

During the current interim period, the Group extended into three new lease agreements for the use of an office and a staff quarter for one year and a factory for five months and entered into a new lease agreement for the use of a factory for three years, accordingly additional right-of-use assets amounted to HK$4,391,000 (for six months ended 30 June 2020: HK$821,000) 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 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. 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 2021 *HK$'000* **(unaudited)**	At 31 December 2020 *HK$'000* (audited)
0 to 30 days	**54,248**	39,044
31 to 90 days	**25,253**	15,848
Over 90 days	**119**	884
	79,620	55,776

13. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 15 March 2021, Billion Pride Group Limited ("Billion Pride"), a direct wholly-owned subsidiary of the Company, and an independent third party (the "Purchaser") entered into a sale and purchase agreement (the "Disposal Agreement"), pursuant to which Billion Pride has conditionally agreed to dispose to the Purchaser of its entire equity interest in Bright Triumph Development Limited ("Bright Triumph"), a direct wholly-owned subsidiary of Billion Pride, at a consideration of RMB40,000,000 (equivalent to approximately HK$48,071,000). A deposit of RMB4,000,000 was received by the Group on 19 March 2021 and included in "Other payables and accruals".

The major asset of Billion Triumph 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 condensed 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 30 June 2021 are as follow:

	At 30 June 2021 *HK$'000* **(unaudited)**
Property, plant and equipment	**2,184**
Investment property	**48,312**
Prepayments and other receivables	**246**
Bank balances and cash	**350**
Total assets classified as held for sale	**51,092**
Other payables and accruals	**6,058**
Deferred tax liabilities	**5,933**
Total liabilities classified as held for sale	**11,991**

14. TRADE PAYABLES

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

	At 30 June 2021 *HK$'000* **(unaudited)**	At 31 December 2020 *HK$'000* (audited)
0 to 30 days	**142,846**	77,107
31 to 90 days	**59,183**	30,873
Over 90 days	**39,030**	32,610
	241,059	140,590

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

15. BORROWINGS

	At 30 June 2021 (unaudited) Contractual interest rate (%)	HK$'000	At 31 December 2020 (audited) Contractual interest rate (%)	HK$'000
Bank loans				
– secured *(note a)*	**Fixed rates of 3.10% to 5.00% per annum**	**167,301**	Fixed rates of 3.60% to 5.22% per annum	156,906
Corporate bonds				
– secured *(note b)*	**Fixed rate of 6.75% per annum**	**45,000**	Fixed rate of 6.75% per annum	45,000
Term loans				
– secured *(note c)*	**Fixed rate of 12.0% per annum**	**26,000**	Fixed rate of 12.0% per annum	11,000
Sub-total of secured borrowings		**238,301**		212,906
Revolving loans				
– unsecured *(note d)*	**Fixed rate of 12.0% per annum**	**25,000**	Fixed rate of 12.0% per annum	20,000
		263,301		232,906

	At 30 June 2021 ***HK$'000*** **(unaudited)**	At 31 December 2020 *HK$'000* (audited)
Analysed as		
Current	**263,301**	232,906

The above loans are measured at amortised costs.

Notes:

(a) The bank borrowings were secured by the Group's leasehold buildings and leasehold lands under right-of-use assets with aggregate carrying amount of approximately HK$109,000,000 and HK$3,514,000 respectively (31 December 2020: leasehold buildings and leasehold lands under right-of-use assets with aggregate carrying amount of approximately HK$108,000,000 and HK$3,586,000 respectively).

The total banking facilities granted to the Group amounted to RMB150,000,000 (equivalent to approximately HK$180,267,000) (31 December 2020: RMB150,000,000 (equivalent to approximately HK$178,232,000)) of which approximately RMB139,211,000 (equivalent to HK$167,301,000) (31 December 2020: RMB141,768,000 (equivalent to approximately HK$168,450,000)) were utilised as at 30 June 2021. On 26 March 2021, an extension agreement for the bank facilities was entered into between the Group and the bank to extend the facilities to 25 March 2022.

(b) 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 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 has been extended to 30 September 2020. The corporate bonds then bear interest at 6.75% per annum from 7 December 2018 to 30 September 2020. On 27 December 2019, an extension deed had been signed, which the maturity date had been extended to 31 March 2021. On 29 March 2021, another extension deeds was signed, whereby the maturity date was further extended to 31 March 2022.

(c) 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. The term loan is payable on its maturity date of 13 May 2021. On 13 March 2021, the Group has entered into an extension agreement to extend the maturity date to 13 May 2022.

On 25 January 2021, the Group obtained another term loan of HK$15,000,000 at a fixed rate of 12% per annum from another independent third party, with a maturity in three months. The loan is secured by floating charge over all the undertaking, property and assets of a subsidiary of the Group to the lender. The term loan is payable on its maturity date of 27 April 2021. On 29 March 2021, the Group has entered into an extension agreement to extend the maturity date to 27 April 2022.

(d) The revolving loan utilised with carrying amount of HK$10,000,000 as at 30 June 2021 (31 December 2020: HK$20,000,000), repayable within one year, has been granted by a substantial shareholder of the Company and guaranteed by the Company. The revolving loans had unutilised amount of HK$40,000,000 (31 December 2020: HK$30,000,000) as at 30 June 2021. On 8 October 2019, the Group has entered into an extension agreement to extend the maturity date to 30 September 2020. On 31 December 2019, the Group has entered into another extension agreement to further extend the maturity date to 31 March 2021. On 29 March 2021, the Group has entered into an extension agreement to further extend the maturity date to 31 March 2022.

Another revolving loan utilised with carrying amount of HK$15,000,000 as at 30 June 2021 (31 December 2020: nil), repayable within one year, has been granted by an independent third party and guaranteed by the Company. The revolving loans had unutilised amount of HK$35,000,000 (2019: HK$50,000,000) as at 30 June 2021. The maturity date of the revolving loan is 23 May 2022.

16. EVENTS AFTER END OF REPORTING PERIOD

On 5 August 2021, Yi Nuo Technology (Suzhou) Company Limited (“Yi Nuo Technology (Suzhou)”), a wholly owned subsidiary of the Company, has received a summons from the Court of Shanghai Pudong New Area (the “Summons”). As set out in the Summons, the plaintiff (the “Plaintiff”) claimed against the first defendant (the “First Defendant”), a third party and Yi Nuo Technology (Suzhou) for refund of a deposit of RMB20,000,000 (the “Deposit”) paid pursuant to a letter of intent on 6 September 2018 (as amended and supplemented by a supplemental letter of intent) (the “Letter of Intent”) and other related losses. Pursuant to the Letter of Intent, the First Defendant should help changing the usage of a parcel of land owned by Yi Nuo Technology (Suzhou) from industrial use to residential use and the Plaintiff should pay the Deposit to the First Defendant which would be used as part payment of the purchase price of the land if the relevant parties should have entered into a formal sale and purchase agreement. According to the Letter of Intent, Yi Nuo Technology (Suzhou) was jointly liable for the refund of the Deposit and such other liabilities that the First Defendant may have under the Letter of Intent.

The Company is currently investigating and seeking legal advice regarding the relevant proceedings and will assess if the legal proceedings will have any material impact on the disposal of a subsidiary .as disclosed in note 13.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (30 June 2020: nil).

BUSINESS REVIEW

For the interim period ended 30 June 2021, the Group recorded a revenue of HK$263.4 million, representing an increase of 135.4% from the revenue of HK$111.9 million for the interim period at 30 June 2020. The revenue increase was mainly due to the recovery from the impact of 2019 novel coronavirus disease ("COVID-19").

The securities investment division recorded a profit of HK$93,000 in the interim period on 30 June 2021, compared with a loss of HK$3,188,000 in the interim period ending 30 June 2020, representing a decrease of losses of 102.9% year-on-year.

For the interim period ended 30 June 2021, the Group net loss decreased by 14.8% to HK$31.2 million compared with HK$36.6 million in last year period ended. The main reason for the loss decrease was the result of implemented an active cost-saving measurements and the decrease in losses on securities investment division.

The Group is principally engaged in the manufacturing and trading of toys and securities investments. The Group has been cautiously exploring suitable potential investment opportunities to diversify its existing businesses and enhance returns for its Shareholders.

On 7 June 2021, the Group entered into the Agreement with the PRC Partner and obtain the Management and Operation Rights of the Lanling Agri-Products Wholesale Market for a term of five years at an annual fee of RMB2 million payable by the PRC Subsidiary. The Board believes that the Agreement is in line with the Company's investment strategy 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.

Toys Division

For the interim period ended 30 June 2021, revenue of toys division increased by 135.4% to HK$263.4 million. The significant increase was mainly due to recovery from the impact COVID-19 in 2020. During the interim period of 2020, the COVID-19 caused the suspension of the toy factory and lead to a decrease in the production and a very keen price competition. Toys division showed a loss of HK$25.9 million compared with a HK$29.3 million loss in the same period in 2020.

Securities investments

During the six months ended 30 June 2021, the Hong Kong stock market experienced a great 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 during the interim period 2021.

At the end of 30 June 2021, the Group no longer hold any securities and the Group did not receive any dividend income in both interim periods.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30 June 2021, the Group had current assets of HK$366,846,000 (31 December 2020: HK$222,383,000) comprising cash and cash equivalents of HK$46,760,000 (31 December 2020: HK$56,142,000). The Group's current ratio, calculated as current assets divided by current liabilities of HK$556,767,000 (31 December 2020: HK$422,621,000), remained at a ratio of 0.66 (31 December 2020: 0.53).

At the period end, the Group's borrowings at 30 June 2021 and at 31 December 2020 were all denominated in Hong Kong dollars. All borrowings totalling HK$263,301,000 (31 December 2020: HK$232,906,000).

As of 30 June 2021, the equity attributable to owners of the Company decreased by 76.1% to HK$9,060,000 (31 December 2020: HK$37,901,000) 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 2021 was approximately 98% (31 December 2020: 90%).

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 expect the positive performance of its toy division will maintain in the second half, along with increase orders and improve in gross profit from each products. In order to enhance production efficiency and simplify department collaboration, the toys division will also invest in production automation facilities.

On the other hand, the Group expect a positive return from the newly involved in managing the Lanling Agri-Products Wholesale Market. Under the national policies, the Group will positively respond to the government's major concern for people's livelihood and food safety monitoring by continuously investing resources to support the "Vegetable Basket" and "Rice Bag" project. The 90,000 square metres wholesale market will help the to support China eastern area including Shanghai city.

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 2021.

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 2021.

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 2021. 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 2021, 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 August 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*