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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)

DISCLOSEABLE TRANSACTION

The Board announces that on 1 August 2022 (after trading hours), the Borrower and the Lender entered into the Loan Agreement, pursuant to which, the Lender has agreed to grant the Loan in the amount of HK\$5,000,000 to the Borrower at an interest rate of 2.5% per month for a term of one (1) year. The Loan is secured by the Share Mortgage and the Deed of Assignment. Pursuant to the terms of the Loan Agreement, the Call Option Deed was also entered into between the Borrower and the Lender on 1 August 2022 (after trading hours).

Pursuant to the terms of the Call Option Deed, the parties have agreed to cancel the Redemption Option granted by the Lender to the Borrower under the Disposal Agreement, and the Borrower has granted to the Lender the Lender's Call Option to require the Borrower to sell the Sale Shares and the Sale Loan to the Lender or its designated nominee for a cash consideration of HK\$10,000,000 during the Call Option Period. The Lender shall have the right (but is not obliged) to exercise the Lender's Call Option at its sole discretion during the Call Option Period.

As the exercise of the Call Option is at the discretion of the Lender, the Call Option granted under the Call Option Deed is deemed as if it is exercised on the date of the Call Option Deed pursuant to Rule 14.74(1) of the Listing Rules.

* *For identification purpose only*

As the Call Option Disposal and the Disposal took place within a 12-month period prior to and inclusive of the date of the Call Option Disposal, each of the Call Option Disposal and the Disposal were aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Call Option Disposal and the Disposal, on an aggregated basis, exceeds 5% but is less than 25%, the grant of the Lender's Call Option constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Further announcement will be made by the Company as and when appropriate in accordance with Rule 14.74(2) of the Listing Rules in the event that the Call Option is exercised by the Lender.

Reference is made to the announcement of the Company dated 21 March 2022 in respect of the Disposal.

INTRODUCTION

The Board announces that on 1 August 2022 (after trading hours), the Borrower and the Lender entered into the Loan Agreement, pursuant to which, the Lender has agreed to grant the Loan to the Borrower in accordance with the terms and conditions of the Loan Agreement.

THE LOAN AGREEMENT

The principal terms of the Loan Agreement are set out below:

Date : 1 August 2022

Lender : 張群英 (Zhang Qunying)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Lender is an independent third party not connected with the Company and its connected persons within the meaning of the Listing Rules.

Borrower : Billion Pride Group Limited, a wholly-owned subsidiary of the Company

Principal amount of the Loan : HK\$5,000,000

- Interest rate** : 2.5% per month, and a default interest of 3.3% per month in the event of any default in payment of the principal amount of the Loan or any interests accrued thereon
- Term** : One (1) year
- Security** : (i) A share mortgage provided by the Borrower in favour of the Lender over 40% of the issued share capital of the Disposal Company; and
- (ii) A deed of assignment over the shareholder's loan in the principal amount of HK\$6,046,099 and the interests accrued thereon owed by the Disposal Company to the Borrower
- Repayment** : The Borrower shall pay the interest on a monthly basis and repay the outstanding principal amount in full on the maturity date.
- Early repayment** : The Borrower may repay the Loan in full or in part before the maturity date by giving the Lender prior written notice, together with accrued interest up to the date of repayment.
- Events of default** : The Lender shall have the right to demand immediate repayment of the principal amount and all other interest thereon upon occurrence of, among others, any of the following events:
- (i) the failure on the part of the Borrower to pay the Lender the loan principal, interest and other payable fees due and payable to the Lender in accordance with the provisions of the Loan Agreement;
- (ii) the expiry or revocation of any authorisation obtained by the Borrower in respect of its execution of or performance of any obligations under the Loan Agreement;
- (iii) the involvement of the Borrower in any bankruptcy or similar legal proceedings;

- (iv) the imposition or enforcement of any seizure, seizure order, execution order or other legal action on the Borrower's assets and the relevant decree has not been discharged or postponed within seven (7) days or the judgment of any court has not been discharged within (60) days (unless the appeal has been duly lodged within the period of (60)) days and the order has been adjourned pending the outcome of the appeal); or
- (v) the occurrence of any breach under the Loan Agreement which is not remedied within the stipulated time (if any).

Pursuant to the terms of the Loan Agreement, the Call Option Deed was also entered into between the Borrower and the Lender on 1 August 2022 (after trading hours). The principal terms of the Call Option Deed are set out below:

Date : 1 August 2022

Parties : (i) 張群英 (Zhang Qunying)
(ii) Billion Pride Group Limited

Lender's Call Option

Pursuant to the terms of the Call Option Deed, the parties have agreed to cancel the Redemption Option granted by the Lender to the Borrower under the Disposal Agreement, and the Borrower has granted to the Lender the Lender's Call Option to require the Borrower to sell the Sale Shares and the Sale Loan to the Lender or its designated nominee for a cash consideration of HK\$10,000,000 during the Call Option Period. The Lender shall have the right (but is not obliged) to exercise the Lender's Call Option at its sole discretion during the Call Option Period.

The parties have agreed that the cash consideration of HK\$10,000,000 may be partially settled by way of set off against the principal amount of the Loan and the interests accrued thereon to be owed by the Borrower to the Lender, with the remaining balance to be settled in cash by the Lender.

The exercise price of HK\$10,000,000 was determined after arm's length negotiations between the Lender and the Borrower on normal commercial terms with reference to, including but not limited to the financial position of the Disposed Group for the two years ended 31 December 2021, the net asset value of the Disposed Group, the outstanding principal amount of the Sale Loan, an independent valuation of the Hainan Properties (using direct comparison approach) and the aforementioned condition of the Hainan Properties, all of which were also factors considered at the time of the Disposal Agreement. Having considered the factors taken into account by the parties in arriving at the consideration, the Directors are of the view that the consideration is fair and reasonable.

Completion

Completion of the Call Option Disposal shall take place on the date falling three (3) Business Days from the exercise date of the Lender's Call Option (or such other date as the Lender and the Borrower may mutually agree). In the event the Lender's Call Option is not exercised, the Call Option Deed shall terminate upon the expiry of the Call Option Period.

INFORMATION OF THE DISPOSAL GROUP

The Disposal Company is a company established in the British Virgin Islands principally engaged in investment holding. As at the date of this announcement, the Disposal Company is owned as to 60% by the Lender and 40% by the Borrower and it wholly owns Loyal Victory, an investment holding company incorporated in Hong Kong and the owner of the entire equity interests in Yingsheng Technology. Yingsheng Technology is a company incorporated in the PRC principally engaged in investment holding and has one wholly-owned subsidiary incorporated in the PRC, namely, Zhongzhi Industrial, whose main assets are the Hainan Properties.

FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Set out below is the audited consolidated financial information of the Disposal Group for the two years ended 31 December 2021 respectively:

	For the year ended 31 December 2020	For the year ended 31 December 2021
	<i>HK\$</i>	<i>HK\$</i>
Net loss before taxation	572,087	359,872
Net loss after taxation	572,087	359,872

The audited net asset value of the Disposal Company as at 31 December 2021 was approximately HK\$15.7 million.

FINANCIAL EFFECT OF THE CALL OPTION DISPOSAL

If the Call Option Disposal materialises, upon its completion, the Disposal Company would cease to be an associated company of the Company. Accordingly, the financial results of the Disposal Group would no longer be equity-accounted for in the consolidated financial statements of the Group.

It is expected that the Group will recognise a loss in its consolidated income statement of approximately HK\$2.3 million arising from the Call Option Disposal, which is calculated as the difference between the exercise price of the Call Option and the unaudited adjusted net asset value of the investment in the Disposal Group of HK\$12.3 million. Subject to audit, the actual amount of gain on the Call Option Disposal to be recognised by the Group will be based on the actual net asset value of the Disposal Company as at completion of the Call Option Disposal and therefore may vary from the amount mentioned above.

The net proceeds from the Call Option Disposal (after deducting relevant costs and expenses and taking into account the set off against the principal amount of the Loan and the interests accrued thereon at maturity) will be approximately HK\$9.8 million, which will be applied for the general working capital of the Group.

REASONS FOR AND BENEFITS OF THE LOAN AGREEMENT AND THE CALL OPTION DEED

The terms of the Loan Agreement, including the interest rate, were arrived at after arm's length negotiations between the Lender and the Borrower having taken into account, amongst others, the prevailing market interest rates and practices. The Loan will be applied for the immediate working capital requirements of the Group.

The Directors are of the view that the Loan Agreement was entered into on an arm's length basis and on normal commercial terms (including, without limitation, the interest rate of the Loan), and that the terms of the Loan Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Group is principally engaged in security investment and toy manufacture. Since the Group discontinued its beverage division in 2014, the Group has been exploring new investment opportunities to diversify its existing businesses and enhance returns for its Shareholders. The Group has reviewed its investment portfolio and strategy plan in medical and health business and considered that the Disposal presented a good opportunity to the Group to divest some of its investments in the Disposal Group to reap the returns and provide funding for the Group's general working capital. Since the completion of the Disposal, the Group has been considering disposing of its remaining interests in the Disposal Group. Although the Call Option is exercisable at the sole discretion of the Lender, the Board considers that such arrangement, the terms of which (including the exercise price of the Call Option) are considered fair and reasonable and in the interests of the Company and its Shareholders as a whole, would provide flexibility to the Group in the repayment of the principal amount of the Loan and the interest accrued thereon in the event that the Lender exercises the Call Option.

LISTING RULES IMPLICATIONS

As the exercise of the Call Option is at the discretion of the Lender, the Call Option granted under the Call Option Deed is deemed as if it is exercised on the date of the Call Option Deed pursuant to Rule 14.74(1) of the Listing Rules.

As the Call Option Disposal and the Disposal took place within a 12-month period prior to and inclusive of the date of the Call Option Disposal, each of the Call Option Disposal and the Disposal were aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Call Option Disposal and the Disposal, on an aggregated basis, exceeds 5% but is less than 25%, the grant of the Lender's Call Option constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Further announcement will be made by the Company as and when appropriate in accordance with Rule 14.74(2) of the Listing Rules in the event that the Call Option is exercised by the Lender.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the same following meanings as set out below:

“Board”	the board of Directors
“Borrower”	Billion Pride Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“Business Day(s)”	any day (other than a Saturday or Sunday or public holiday) on which commercial banks in Hong Kong are open for business
“Call Option”	the option granted by Borrower to the Lender to require the Borrower to sell the Sale Loan and the Sale Shares to the Lender under the Call Option Deed
“Call Option Deed”	the call option deed dated 1 August 2022 and entered into between the Lender and the Borrower pursuant to which the Borrower has granted the Call Option to the Borrower
“Call Option Disposal”	the deemed disposal of the Sale Loan and the Sale Shares under the Call Option Deed

“Call Option Period”	a term of twelve months from the date of the drawdown of the Loan
“Company”	Winshine Science Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 209)
“Deed of Assignment”	the deed of assignment (by way of security) dated 1 August 2022 entered into between the Borrower, the Lender and the Disposal Company in respect of the Sale Loan
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Disposed Shares and the Disposed Loan by the Borrower to the Lender in accordance with the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the disposal agreement dated 21 March 2022 and entered into between the Borrower and the Lender in relation to the Disposal
“Disposal Company”	Enormous Fortune Business Limited, a company incorporated in the British Virgin Islands which is owned as to 60% by the Lender and 40% by the Borrower as at the date of this announcement
“Disposal Completion”	the completion of the Disposal
“Disposal Group”	the Disposal Company, Loyal Victory, Yingsheng Technology and Zhongzhi Industrial
“Disposed Shares”	six (6) ordinary shares of US\$1.00 each in the share capital of the Disposal Company, representing 60% of the total issued capital thereof immediately prior to the Disposal Completion
“Disposed Loan”	the shareholder’s loan in the amount of HK\$12,615,501.88 owed by the Disposal Company to the Borrower immediately before the Disposal Completion
“Group”	the Company and its subsidiaries

“Hainan Properties”	the properties comprising of two parcels of land located at Dajingshan, Shishan County, Haikou City, Hainan Province, the PRC with a site area of approximately 88,342.21 square meters
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lender”	張群英 (Zhang Qunying), being the purchaser of the Disposed Shares and the Disposed Loan under the Disposal Agreement, the details of which are set out in the announcement of the Company dated 21 March 2022
“Lender’s Call Option”	the call option granted by the Borrower to the Lender to require the Borrower to sell the Sale Shares and the Sale Loan to the Lender or its designated nominee for a cash consideration of HK\$10,000,000 pursuant to the Call Option Deed
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the term loan in the principal amount of HK\$5,000,000 granted by the Lender to the Borrower at an interest rate of 2.5% per month for a term of one (1) year pursuant to the terms of the Loan Agreement
“Loan Agreement”	the loan agreement dated 1 August 2022 and entered into between the Lender and the Borrower in relation to the Loan
“Loyal Victory”	Loyal Victory Investments Limited, a company incorporated in Hong Kong which is wholly-owned by the Disposal Company
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Redemption Option”	the option granted by the Lender to the Borrower under the Disposal Agreement to require the Lender to sell the Disposed Shares and the Disposed Loan to the Borrower or its designated nominee for a cash consideration calculated as HK\$15,000,000 + HK\$2,250,000/270 days x number of days from date of the Disposal Completion to the date of exercise of the such option

“Sale Loan”	the shareholder’s loan in the amount of HK\$6,046,099 owed by the Disposal Company to the Borrower as at the date of this announcement
“Sale Shares”	four (4) ordinary shares of US\$1.00 each in the share capital of the Disposal Company, representing 40% of the total issued capital thereof as at the date of this announcement
“Share(s)”	ordinary shares of the Company
“Share Mortgage”	the share mortgage dated 1 August 2022 entered into between the Borrower and the Lender in respect of the share mortgage provided by the Borrower in favour of the Lender over the Sale Shares
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yingsheng Technology”	海南瀛晟科技產業投資有限公司 (Hainan Yingsheng Technology Industry Investment Co., Ltd.#), a company established in the PRC which is wholly-owned by Loyal Victory
“Zhongzhi Industrial”	海南中置實業有限公司 (Hainan Zhongzhi Industry Co., Ltd.#), a company established in the PRC which is wholly-owned by Yingsheng Technology
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 1 August 2022

The English transliteration of the Chinese name(s) in this announcement, where indicated with “#”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese names.

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