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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

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 2024 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue	4	191,131	202,686
Cost of sales		(187,061)	(191,765)
Gross profit		4,070	10,921
Other income, gains and losses	5	6,806	7,063
Provision of expected credit loss for trade receivables		(500)	–
Selling and distribution costs		(4,000)	(5,586)
Administrative expenses		(23,382)	(24,569)
Other operating expenses		(2,135)	(2,333)
Finance costs	6	(7,568)	(6,605)
Loss before tax		(26,709)	(21,109)
Income tax expense	7	(16)	–
Loss for the period	8	(26,725)	(21,109)
Loss for the period attributable to owners of the Company		(26,565)	(21,050)
Non-controlling interest (“NCI”)		(160)	(59)
		(26,725)	(21,109)
			(Restated)
Loss per share			
Basic and diluted	10	(HK21.99) cents	(HK26.95) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	(26,725)	(21,109)
Other comprehensive expenses		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on arising on translation of foreign operations	<u>(6)</u>	<u>(4,013)</u>
Other comprehensive expenses for the period	<u>(6)</u>	<u>(4,013)</u>
Total comprehensive expenses for the period	<u>(26,731)</u>	<u>(25,122)</u>
Total comprehensive expenses for the period		
Attributable to:		
Owners of the Company	(26,680)	(25,063)
NCI	<u>(51)</u>	<u>(59)</u>
	<u>(26,731)</u>	<u>(25,122)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		At 30 June 2024	At 31 December 2023
	<i>Notes</i>	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	111,980	115,364
Right-of-use assets	<i>11</i>	5,884	6,150
Rental deposits		242	164
Goodwill		740	740
		<u>118,846</u>	<u>122,418</u>
Current assets			
Inventories		107,039	75,142
Biological assets		729	832
Trade receivables	<i>12</i>	124,794	70,482
Loan receivables		–	–
Prepayments, deposits and other receivables		28,871	26,116
Bank balances and cash		16,137	119,335
		<u>277,570</u>	<u>291,907</u>
Current liabilities			
Trade payables	<i>13</i>	171,662	170,541
Other payables and accruals		55,432	59,423
Contract liabilities		388	1,154
Borrowings	<i>14</i>	245,256	238,097
Lease liabilities		1,295	1,529
Tax payables		2,994	3,871
Convertible bonds	<i>15</i>	2,494	2,476
		<u>479,521</u>	<u>477,091</u>

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Net current liabilities	<u>(201,951)</u>	<u>(185,184)</u>
Total assets less current liabilities	<u><u>(83,105)</u></u>	<u><u>(62,766)</u></u>
Non-current liabilities		
Lease liabilities	1,675	1,858
Deferred tax liabilities	<u>16,245</u>	<u>16,245</u>
	<u>17,920</u>	<u>18,103</u>
Net liabilities	<u><u>(101,025)</u></u>	<u><u>(80,869)</u></u>
Capital and reserves		
Share capital	1,224	5,098
Deficit	<u>(101,384)</u>	<u>(85,153)</u>
Capital deficiency attributable to owners of the Company	<u>(100,160)</u>	<u>(80,055)</u>
NCI	<u>(865)</u>	<u>(814)</u>
Capital deficiencies	<u><u>(101,025)</u></u>	<u><u>(80,869)</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. CORPORATE INFORMATION

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 Room 907B, 9/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on The Main Board of The Stock Exchange.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are manufacturing of toys and the plantation of agricultural products for sale.

The condensed consolidated financial statements are presented in 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 2024 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 D2 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 2023 (the "2023 Financial Statement").

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

For the six months ended 30 June 2024, the Group incurred a loss attributable to owners of the Company of approximately HK\$26,565,000 and as at 30 June 2024, the Group had net current liabilities of approximately HK\$201,951,000, net liabilities of approximately HK\$101,025,000 and capital deficiency attributable to owners of the Company amounted to approximately HK\$100,160,000. The Group's bank balances and cash amounted to approximately HK\$16,137,000, in contrast to its total borrowings of approximately HK\$245,256,000 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. The expiry date of the banking facilities of RMB160,000,000 (equivalent to approximately HK\$171,967,000), of which RMB139,799,000 (equivalent to approximately HK\$150,256,000) was utilised as of 30 June 2024, secured by the Group's leasehold buildings and leasehold lands under right-of-use assets due on 16 March 2024 has been extended to 13 December 2024;
- ii. active cost-saving measures to control operating costs and administrative costs through various means has been implemented to improve operating cash flows at a level sufficient to finance the working capital requirements of the Group; and
- iii. 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 new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the 2023 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 period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 and sales of agricultural products for the period. 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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from sales of toy products	189,771	202,528
Revenue from sales of agricultural products	1,360	158
	<u>191,131</u>	<u>202,686</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 two reportable segments. No operating segments have been aggregated in arriving at the following reportable segments of the Group.

1. Toys: this segment derives its revenue from manufacturing for sale of toys.
2. Agricultural products: this segment derives its revenue from planting agricultural products for sale.

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 six months ended 30 June 2024 and 2023 (unaudited)

	Toys		Agricultural products		Total	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue						
Revenue from external customers	<u>189,771</u>	<u>202,528</u>	<u>1,360</u>	<u>158</u>	<u>191,131</u>	<u>202,686</u>
Reportable segment loss						
before tax	<u>(18,344)</u>	<u>(12,881)</u>	<u>(754)</u>	<u>(278)</u>	<u>(19,098)</u>	<u>(13,159)</u>
Unallocated corporate income					1,159	2,252
Unallocated corporate expenses					<u>(8,770)</u>	<u>(10,202)</u>
Loss before tax					<u>(26,709)</u>	<u>(21,109)</u>
Other segment information (included in the measured of segment profit or loss or regularly provided to chief operating decision maker)						
Depreciation of property, plant and equipment	(5,540)	(5,758)	(582)	–	(6,161)	(5,758)
Depreciation of right-of-use assets	(775)	(1,173)	(16)	–	(945)	(1,173)
Write down of inventories, net	(2,666)	(4,716)	–	–	(2,666)	(4,716)
Provision of expected credit loss for trade receivables	(500)	–	–	–	(500)	–
Gain on disposal of property, plant and equipment, net	–	–	185	–	185	–
Bank interest income	11	6	–	–	15	6
Interest expenses	(5,805)	(6,557)	–	–	(7,568)	(6,557)
Purchases of property, plant and equipment	<u>1,882</u>	<u>2,486</u>	<u>3,515</u>	<u>–</u>	<u>5,397</u>	<u>2,486</u>

(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 2024 (unaudited)

	Toys <i>HK\$'000</i>	Agricultural products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	370,449	9,035	379,484
Unallocated corporate assets			<u>16,932</u>
Total assets			<u><u>396,416</u></u>
Reportable segment liabilities	(431,960)	(719)	(432,679)
Unallocated corporate liabilities			<u>(64,762)</u>
Total liabilities			<u><u>(497,441)</u></u>

As at 31 December 2023 (audited)

	Toys <i>HK\$'000</i>	Agricultural products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	388,926	7,477	396,403
Unallocated corporate assets			<u>17,922</u>
Total assets			<u><u>414,325</u></u>
Reportable segment liabilities	(431,323)	(825)	(432,148)
Unallocated corporate liabilities			<u>(63,046)</u>
Total liabilities			<u><u>(495,194)</u></u>

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

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net foreign exchange gain	3,933	5,517
Rental income	–	225
Bank interest income	15	14
Gain on disposal of property, plant and equipment, net	185	–
Gain on deregistration of a subsidiary	740	–
Mould income	586	507
Sundry income	1,347	800
	<u>6,806</u>	<u>7,063</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on bank loans	4,975	3,004
Interest on corporate bonds	1,510	999
Interest on other loans	–	137
Imputed interest on convertible bonds	213	106
Interest on revolving loans	162	271
Interest on short-term loans	563	1,909
Interest on lease liabilities	145	179
	<u>7,568</u>	<u>6,605</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax		
Current period	<u>16</u>	<u>—</u>
Income tax expense	<u><u>16</u></u>	<u><u>—</u></u>

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 periods.

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	
	2024 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (unaudited)
Employee benefit expenses (including directors' remunerations):		
Wages and salaries	33,891	38,828
Other employee benefits	4	22
Contributions to defined contribution retirement plans	108	9,035
	<u>34,003</u>	<u>47,885</u>
Cost of inventories recognised as an expense (included in cost of sales)	215,898	187,119
Depreciation of property, plant and equipment	6,161	5,758
Depreciation of right-of-use assets	945	1,173
Write down of inventories, net (included in cost of sales)	2,666	4,716
Short-term lease charges in respect of land and buildings	836	179

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 (six months ended 30 June 2023: HK\$Nil).

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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(Restated)
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(26,565)</u>	<u>(21,050)</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>120,780</u>	<u>78,157</u>

The weighted average number of ordinary shares during the period ended 30 June 2023 have been adjusted for the share consolidation completed on 24 May 2024.

No adjustment was made in calculating diluted loss per share for the period ended 30 June 2024 and 2023 as the conversion of convertible bonds would result in decrease in loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

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\$5,397,000 (six months ended 30 June 2023: HK\$2,486,000) and nil (six months ended 30 June 2023: HK\$1,357,000) of property, plant and equipment from the acquisition of subsidiaries during the six months ended 30 June 2024. The Group disposed of machinery and equipment with an aggregate carrying amount of approximately HK\$2,089,000 (six months ended 30 June 2023: HK\$280,000).

During the current interim period, the Group extended into a new lease agreement for the use of a factory, accordingly additional right-of-use assets amounted to HK\$744,000 (six months ended 30 June 2023: HK\$Nil) 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 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
0 to 30 days	71,701	30,820
31 to 90 days	40,756	39,385
Over 90 days	12,337	277
	<u>124,794</u>	<u>70,482</u>

13. TRADE PAYABLES

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

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
0 to 30 days	113,799	79,205
31 to 90 days	37,250	45,181
Over 90 days	20,613	46,155
	<u>171,662</u>	<u>170,541</u>

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

14. BORROWINGS

	At 30 June 2024 (unaudited)		At 31 December 2023 (audited)	
	Contractual interest rate (%)	HK\$'000	Contractual interest rate (%)	HK\$'000
Bank loans				
– secured (<i>note a</i>)	Fixed rates ranging from 3.85% to 6.30% per annum	150,256	Fixed rates ranging from 3.85% to 6.30% per annum	163,097
Corporate bonds				
– secured (<i>note b</i>)	Fixed rate at 6.75% per annum	45,000	Fixed rate at 6.75% per annum	45,000
Term loans				
– secured (<i>note c</i>)	Fixed rate at 12.00% per annum	17,000	Fixed rate at 12.00% per annum	17,000
– secured (<i>note d</i>)	Fixed rate at 12.00% per annum	5,000	Fixed rate at 12.00% per annum	5,000
Sub-total of secured borrowings		217,256		230,097
Revolving loans				
– unsecured (<i>note e</i>)	Fixed rate at 12.00% per annum	–	Fixed rate at 12.00% per annum	8,000
– unsecured (<i>note f</i>)	Fixed rate at 12.00% per annum	3,000	–	–
Term loans				
– unsecured (<i>note g</i>)	Fixed rate at 12.00% per annum	20,000	–	–
– unsecured (<i>note h</i>)	Fixed rate at 12.00% per annum	5,000	–	–
Subtotal of unsecured borrowings		28,000		8,000
		<u>245,256</u>		<u>238,097</u>

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Analysed as Current	<u>245,256</u>	<u>238,097</u>

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\$93,840,000 and HK\$3,084,000 respectively (31 December 2023: leasehold buildings and leasehold lands under right-of-use assets with aggregate carrying amount of approximately HK\$96,000,000 and HK\$3,155,000 respectively).

The total banking facilities granted to the Group amounted to RMB160,000,000 (equivalent to approximately HK\$171,967,000) (31 December 2023: RMB160,000,000 (equivalent to approximately HK\$176,561,000) of which approximately RMB139,799,000 (equivalent to HK\$150,256,000) (31 December 2023: RMB147,799,000 (equivalent to HK\$163,097,000)) were utilised as at 30 June 2024. On 16 March 2024, an extension agreement for the banking facilities was entered into between the Group and the bank to extend the facilities to 13 December 2024.

- (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. On 29 March 2022, another extension deeds were signed whereby the maturity date was further extended to 31 March 2023.

- (c) On 13 May 2020, the Group obtained a term loan of HK\$11,000,000 at a fixed rate of 12% per annum from an independent third party, with 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 was payable on its maturity date of 13 May 2021. On 13 March 2021, the Group entered into an extension agreement to extend the maturity date to 13 May 2022. On 30 June 2021, an additional loan was obtained from the same independent third party amounted of HK\$6,000,000 under the same terms. On 19 April 2022, the Group extended the maturity date to 13 May 2023. On 8 May 2023, the Group further extended the maturity date to 13 May 2025.

- (d) On 25 January 2021, the Group obtained a term loan of HK\$15,000,000 at a fixed rate of 12% per annum from an independent third party, with a maturity in one year. The loan is secured by a first floating charge over all the undertaking property and assets of a subsidiary of the Group to the lender.

The term loan was payable on its maturity date of 27 April 2021. On 29 March 2021, the Group extended the maturity date to 27 April 2022. On 19 April 2022, the Group extended the maturity date to 27 April 2023. On 1 September 2023, the Group further extended the maturity date to 27 April 2025 and the outstanding principal amount of HK\$5,000,000.

- (e) The revolving loan was granted by a substantial shareholder of the Company, guaranteed by the Company and repayable within one year. On 8 October 2019, the Group entered into an extension agreement to extend the maturity date to 30 September 2020. On 31 December 2019, the Group entered into another extension agreement to further extend the maturity date to 31 March 2021. According to the extension deed, a first floating charge over the assets of a subsidiary of the Group as a security to the lender, was executed on 7 February 2020. On 29 March 2021, the Group entered into an extension agreement to further extend the maturity date to 31 March 2022. On 31 March 2022, the Group entered into an extension agreement to further extend the maturity date to 31 March 2023. On 31 March 2023, the Group entered into a supplemental loan agreement to revise the aggregate principal amount from HK\$50,000,000 to HK\$35,000,000. The Group has extended the maturity date to 31 March 2025.

The revolving loans utilised with carrying amount of nil and had unutilised amount of HK\$35,000,000 as at 30 June 2024.

- (f) On 24 May 2021, the Group has obtained a revolving loan for an aggregate principal amount of HK\$50,000,000 at a fixed rate of 12% per annum from an independent third party, with a maturity in one year. The loan is guaranteed by the Company. On 19 April 2022, the Group entered into an extension agreement to further extend the maturity date to 24 May 2023. On 23 May 2024, the Group entered into an extension agreement to further extend the maturity date to 24 May 2025. The revolving loans utilised with carrying amount of HK\$3,000,000 had unutilised with amount of HK\$47,000,000 as at 30 June 2024.
- (g) On 3 May 2024 and 31 May 2024, the Group obtained loan of HK\$10,000,000 and HK\$10,000,000 at a fixed rate of 12% per annum from an independent third party, which was unsecured and with maturity date of 4 November 2024.
- (h) On 12 March 2024, the Group obtained a term loan of HK\$5,000,000 at a fixed rate of 12% per annum from an independent third party, which contain a repayment on demand clause, is classified as current liabilities.

15. CONVERTIBLE BONDS

On 14 October 2022 (after trading hours), the Company entered into the Convertible Bonds Subscription Agreements with two subscribers (Convertible Bonds A), pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue the convertible bonds in an aggregate principal amount of up to HK\$22,500,000 based on the initial conversion price of HK\$0.25 per conversion share.

The issue of the Convertible Bonds A were completed on 20 April 2023 and 22 May 2023 and the Company has issued an aggregate principal amount of HK\$2,500,000 and HK\$20,000,000 respectively of the convertible bonds. Subscribers to the convertible bonds are entitled to convert at a conversion price of HK\$0.25 per share and a maximum of 90,000,000 shares. If the convertible bonds have not been converted, they will be redeemed by the Company on the maturity date of the convertible bonds 31 December 2024.

On 16 December 2022, the Company entered into a Convertible Bond Subscription Agreement with the subscriber (Convertible Bonds B), pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue to the subscriber the convertible bond in an aggregate principal amount of HK\$14,000,000 based on the initial conversion price of HK\$0.22 per conversion share.

The issue of the Convertible Bonds B was completed on 20 April 2023 and the Company has issued an aggregate principal amount of HK\$14,000,000 of the convertible bonds. Subscribers to the convertible bonds are entitled to convert at a conversion price of HK\$0.22 per share and a maximum of 63,636,362 shares. If the convertible bonds have not been converted, they will be redeemed by the Company on the maturity date of the convertible bonds on 31 December 2023.

At initial recognition, the equity component of the above convertible bonds was separated from the liability component. The equity element is presented in equity heading “convertible bonds equity reserve” of HK\$124,000. The effective interest rate of the liability component ranged from 16.56% to 16.81%. On 31 May 2023, Convertible Bonds A with principal amount of HK\$20,000,000 and Convertible Bonds B with principal amount of HK\$14,000,000 were converted into 80,000,000 ordinary shares and 63,636,362 ordinary shares respectively. Convertible Bonds A with the principal amount of HK\$2,500,000 remained outstanding as at 30 June 2024.

With respect to the Convertible Bonds A with the principal amount of HK\$2,500,000, upon the effective of the share consolidation on 24 May 2024, the conversion price has been adjusted from HK\$0.25 to HK\$1.25 per conversion share and the number of the conversion shares has been adjusted from 10,000,000 to 2,000,000 conversion shares.

The movement of the liability component of the convertible bonds for the period is set out below:

	<i>HK\$'000</i>
At 1 January 2023 (audited)	–
Issue of convertible bonds	36,176
Effective interest expense	523
Interest paid	(291)
Accrued interest	(236)
Conversion of convertible bonds into shares	<u>(33,696)</u>
At 31 December 2023 (audited)	2,476
Effective interest expense	213
Interest paid	<u>(195)</u>
At 30 June 2024 (unaudited)	<u><u>2,494</u></u>

16. EVENTS AFTER END OF THE REPORTING PERIOD

On 26 August 2024, the Company allotted and issued an aggregate of 23,000,000 ordinary shares of HK\$0.01 each for cash at the net issue price of approximately HK\$0.20 per new share under the specific mandate giving rise to net proceeds of HK\$4,300,000.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (30 June 2023: nil).

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and trading of toys and the plantation and sales of agricultural products.

For the interim period ended 30 June 2024, the toy business is expected to continue to suffer in the near term due to the factors beyond the Group's control, especially the poor economy of like U.S. (i.e. our major target markets).

Reflecting on the past fiscal year, the manufacturing of toy industry has navigated a landscape filled with challenges and opportunities, with each playing a crucial role in our continued growth and success. The lingering effects of the prolonged war between Russia and Ukraine, compounded by the new conflict between Israel and Palestine, have complicated the economic situation. Such global settings have impacted our daily operations with increased freight costs and often extended delivery lead time. In addition to these geopolitical tensions, fluctuating currency values with the weak Euro and Yen have further muddied the global economic landscape. While consumer spending is improving, these external factors pose new challenges worldwide. In overall, toy sales in 2024 was unable to achieve the sales levels in 2023.

During the interim period ended 30 June 2024, the revenue derived from the plantation and sales of agricultural products is HK\$1.36 million (for the interim period ended 30 June 2023: HK\$0.16 million).

Gross profit for the interim period ended 30 June 2024 amounted to approximately HK\$4.07 million, representing a decrease of approximately HK\$6.85 million in gross profit compared with that of approximately HK\$10.92 million for the interim period ended 30 June 2023.

The Group recorded a loss of approximately HK\$26.73 million for the interim period ended 30 June 2024 and approximately HK\$21.11 million for the interim period ended 30 June 2023, representing an increase the loss of approximately HK\$5.62 million.

Toys Division

For the interim period ended 30 June 2024, revenue of toys division decreased by 6.3% to HK\$189.8 million. The revenue decrease was mainly attributable to the decrease in purchase orders from a major customer headquartered in the United States of America (the “USA”).

Lower gross profit margin for the interim period ended 30 June 2024 reflected elevated discounts and written downs to reduce our inventory level in response to a volatile and challenging consumer environment.

Sales of Agricultural Products Division

On 20 May 2023, the Company indirectly acquired 78.9% of equity interest of 名鮮株式會社 which is principally engaged in the sales of agricultural products in Japan. For the interim period ended 30 June 2024, revenue of plantation and sales of agricultural products division increased sharply by 760.8% to HK\$1.36 million. The revenue increase was mainly attributable to the increase in sales of agricultural products in the earlier stage of plantation and the management expects to grow in the second half of 2024.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30 June 2024, the Group had net current liabilities of HK\$202.0 million (31 December 2023: HK\$185.2 million) comprising cash and cash equivalents (excluding pledge bank deposits) of HK\$16.1 million (31 December 2023: HK\$119.3 million). The Group’s current ratio, calculated as current assets divided by current liabilities of HK\$479.5 million (31 December 2023: HK\$477.1 million), remained at a ratio of 0.58 (31 December 2023: 0.63).

At the period end, the Group’s borrowings at 30 June 2024 were all totaling HK\$245.3 million (31 December 2023: HK\$238.1 million).

As of 30 June 2024, the capital deficiencies attributable to owners of the Company increased by 24.8% to HK\$101.0 million (31 December 2023: HK\$80.9 million) mainly as a result of the operating loss incurred by the Group for 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 2024 was approximately 128% (31 December 2023: 131%).

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

Looking ahead, our strategic initiatives will be geared towards leveraging anticipated market trends and evolving consumer preferences. We will continue to enhance its portfolio with innovative products, adapting to consumer trends to ensure our product offerings remain relevant and desirable. Simultaneously, seeking ways to improve our supply chain resilience by diversifying our sourcing and logistics partners will remain our priority. In relation to cost control, we will continue to streamline the operational procedures to enhance the efficiency and implement various measures to minimize the costs. We remain confident in the long-term growth of USA's economy and the continuous improvement of toys consumption.

The acquisition of plantation and sales of agricultural products business will provide synergies and complement the Group's existing business in the agricultural sector. In light of the high demand for fruit in Japan and the Japanese government's initiatives to promote the farming industry in Japan, and will therefore create better returns for the Shareholders.

In conclusion, both divisions look to the future with optimism and enthusiasm. Our commitment to innovation, quality, and sustainability will continue to drive our growth and success. We are confident our strategic initiatives will enable us to navigate the challenges ahead and capitalize on emerging opportunities.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2024, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the provisions of the Corporate Governance Code (the "CG Code") from time to time, as set out in Appendix C1 to the Listing Rules.

All other information on the CG Code of the Company has been disclosed in the Corporate Governance Report contained in the 2023 annual report of the Company issued in April 2024.

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 2024.

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 2024. 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 2024, 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
Jiang Qinghui
Chairman

Hong Kong, 30 August 2024

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Jiang Qinghui (Chairman), Mr. Weng Zudian (Chief Executive Officer) and Mr. Li Zhonghai; one non-executive Director, namely Mr. Lin Shaopeng; and three independent non-executive Directors, namely Mr. Chan Cheuk Ho, Mr. Kwok Kim Hung Eddie and Mr. Zhao Yong.

* *For identification purpose only*