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**WINSHINE SCIENCE COMPANY LIMITED**

**瀛晟科學有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 209)**

**ANNOUNCEMENT OF FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

**SUMMARY OF RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Winshine Science Company Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2024, together with the comparative figures for the year ended 31 December 2023 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

	<i>Notes</i>	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
<b>Revenue</b>	4	<b>515,908</b>	523,262
Cost of sales		<u>(503,105)</u>	<u>(483,996)</u>
<b>Gross profit</b>		<b>12,803</b>	39,266
Other income, gains and losses	5	<b>7,307</b>	10,300
Reversal of expected credit loss for loan receivables (Provision) reversal of expected credit loss for trade receivables		– <b>(574)</b>	600 3,273
Provision of expected credit loss for other receivables		<b>(4,558)</b>	–
Impairment loss on property, plant and equipment		<b>(9,682)</b>	–
Impairment loss on right of use assets		<b>(2,088)</b>	–
Impairment of goodwill		<b>(740)</b>	–
Loss on disposal of subsidiaries		<b>(1,563)</b>	–
Selling and distribution costs		<b>(4,793)</b>	(1,608)
Administrative expenses		<b>(44,503)</b>	(53,752)
Gain arising from changes in fair value less costs to sell of biological assets		–	13
Other operating expenses		<b>(2,862)</b>	(5,503)
Finance costs	6	<u><b>(18,184)</b></u>	<u>(15,587)</u>
<b>Loss before tax</b>		<b>(69,437)</b>	(22,998)
Income tax expense	7	<u><b>(4,325)</b></u>	<u>(6,363)</u>
<b>Loss for the year</b>	8	<u><b>(73,762)</b></u>	<u>(29,361)</u>
<b>Loss for the year attributable to:</b>			
<b>Owners of the Company</b>		<b>(73,026)</b>	(28,650)
<b>Non-controlling interest (“NCI”)</b>		<u><b>(736)</b></u>	<u>(711)</u>
		<u><b>(73,762)</b></u>	<u>(29,361)</u>
<b>Loss per share</b>	10		
Basic and diluted		<u><b>(HK56.4 cents)</b></u>	<u>(HK31.8 cents)</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	<i>Notes</i>	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
<b>Loss for the year</b>		<b>(73,762)</b>	(29,361)
<b>Other comprehensive income (expense)</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain (loss) on revaluation of properties		<b>4,364</b>	(1,114)
Deferred tax credit arising from revaluation of properties		<u>—</u>	<u>2,220</u>
		<b>4,364</b>	1,106
<i>Items that may be/have been reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(1,630)</b>	3,321
Release of exchange reserve upon disposal of subsidiaries		<u>533</u>	<u>—</u>
		<b>(1,097)</b>	3,321
<b>Other comprehensive income for the year</b>		<u>3,267</u>	4,427
<b>Total comprehensive expense for the year</b>		<b><u>(70,495)</u></b>	<b><u>(24,934)</u></b>
<b>Total comprehensive expense for the year attributable to:</b>			
<b>Owners of the Company</b>		<b>(69,860)</b>	(24,227)
<b>NCI</b>		<u>(635)</u>	<u>(707)</u>
		<b><u>(70,495)</u></b>	<b><u>(24,934)</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2024**

	<i>Notes</i>	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>93,929</b>	115,364
Right-of-use assets		<b>3,348</b>	6,150
Rental deposit		<b>146</b>	164
Goodwill		<u>–</u>	<u>740</u>
		<b>97,423</b>	122,418
<b>Current assets</b>			
Inventories	<i>11</i>	<b>79,009</b>	75,142
Biological assets		–	832
Trade receivables	<i>12</i>	<b>103,334</b>	70,482
Loan receivables		–	–
Prepayments, deposits and other receivables		<b>17,856</b>	26,116
Bank balances and cash		<u><b>55,258</b></u>	<u>119,335</u>
		<b>255,457</b>	291,907
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>204,624</b>	170,541
Other payables and accruals		<b>46,326</b>	59,423
Contract liabilities		<b>722</b>	1,154
Borrowings	<i>14</i>	<b>217,089</b>	238,097
Lease liabilities		<b>1,090</b>	1,529
Tax payables		<b>5,863</b>	3,871
Convertible bonds	<i>15</i>	<u>–</u>	<u>2,476</u>
		<b>475,714</b>	477,091

		2024	2023
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Net current liabilities</b>		<u>(220,257)</u>	<u>(185,184)</u>
<b>Total assets less current liabilities</b>		<u><u>(122,834)</u></u>	<u><u>(62,766)</u></u>
<b>Non-current liabilities</b>			
Lease liabilities		1,384	1,858
Deferred tax liabilities		<u>16,269</u>	<u>16,245</u>
		<u>17,653</u>	<u>18,103</u>
<b>Net liabilities</b>		<u><u>(140,487)</u></u>	<u><u>(80,869)</u></u>
<b>Capital and reserves</b>			
Share capital	<i>16</i>	1,454	5,098
Deficit		<u>(140,492)</u>	<u>(85,153)</u>
Capital deficiency attributable to owners of the Company		<u>(139,038)</u>	<u>(80,055)</u>
NCI		<u>(1,449)</u>	<u>(814)</u>
<b>Capital deficiencies</b>		<u><u>(140,487)</u></u>	<u><u>(80,869)</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

### 1. CORPORATE INFORMATION

Winshine Science Company Limited (the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”) is a limited liability company incorporated in Bermuda. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report. The Company’s shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

### 2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### **Basis of preparation of consolidated financial statements**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules on the Stock Exchange and by the Hong Kong Companies Ordinance.

#### *The Group’s ability to continue as a going concern basis*

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group incurred a net loss attributable to owners of the Company of approximately HK\$73,026,000 for the year ended 31 December 2024. As at the same date, the Group had net current liabilities and net liabilities of approximately HK\$220,257,000 and HK\$140,487,000 respectively. The Group’s bank balances and cash amounted to approximately HK\$55,258,000 in contrast to its borrowings of approximately HK\$217,089,000, which are repayable within the next twelve months.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business.

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

- i completed the issue of 9,400,000 ordinary shares of 0.01 each for cash at the net issue price of HK\$0.14 per new share under the general mandate giving rise to net proceeds of HK\$1,200,000 on 28 January 2025;
- ii extending the repayment terms and the expiry date of the Group’s banking facilities by entering into extension agreement with the lender after the end of the reporting period but before the consolidated financial statements are authorised for issue. The expiry date of the banking facilities of RMB160,000,000 (equivalent to approximately HK\$172,786,000), of which RMB129,260,000 (equivalent to approximately HK\$139,589,000) was utilised as of 31 December 2024, secured by the Group’s leasehold buildings and leasehold lands under right-of-use assets due on 13 December 2024 has been extended to 2 December 2026;

- iii. 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
- iv. considering other financing arrangements, if necessary, with a view to increasing the Group's equity and liquidity.

On the basis of the above considerations and taking into account the above measures, the directors of the Company are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of issuance of these consolidated financial statements and accordingly, these consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for biological assets which are measured at their fair value less costs to sell and, certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### **3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs**

#### **Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements.

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

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

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

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

Amendments to HKFRS 9 and HKAS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>1</sup>
Amendments to HKFRS Accounting Standards	<i>Annual Improvements to HKFRS Accounting Standards — Volume 11</i> <sup>3</sup>
Amendments to HKAS 21	<i>Lack of Exchangeability</i> <sup>2</sup>
HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027.

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

## 4. REVENUE AND OPERATING SEGMENTS

Revenue represents revenue arising on sale of toy products and sales of agricultural products for the year. The revenue relates to revenue from contracts with customers which is within the scope of HKFRS 15. All revenue is recognised at a point in time upon delivery of the goods to customers.

The Group manufactured toy products in accordance with the performance obligations as set out in each sales contracts with its customers. The performance obligations in sales contracts have an original expected duration of one year or less. The Group has applied the practical expedient in HKFRS 15 and hence information about the Group's remaining performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period is not disclosed. The Group recognised the incremental costs of obtaining a contract as an expense when incurred since the amortisation period of the asset that the Group otherwise would have recognised was one year or less.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from sales of toy products	514,023	522,827
Revenue from sales of agricultural products	<u>1,885</u>	<u>435</u>
	<u><u>515,908</u></u>	<u><u>523,262</u></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 delivered or services 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.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

1. Toys: this segment derives its revenue from manufacturing for sales 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 before tax excludes unallocated interest income and unallocated corporate expenses which are not directly attributable to the business activities of any operating segment.

### Segment revenue, results, assets and liabilities

The following is an analysis of the Group's revenue and results by reportable segments:

For the years ended 31 December 2024 and 2023

	Toys		Agricultural products		Total	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Reportable segment revenue</b>						
Revenue from external customers	<u>514,023</u>	<u>522,827</u>	<u>1,885</u>	<u>435</u>	<u>515,908</u>	<u>523,262</u>
<b>Reportable segment loss before tax</b>	<u>(44,504)</u>	<u>(7,262)</u>	<u>(3,515)</u>	<u>(3,338)</u>	<u>(48,019)</u>	<u>(10,600)</u>
Unallocated corporate income					429	1,984
Unallocated corporate expenses					<u>(21,847)</u>	<u>(14,382)</u>
<b>Loss before tax</b>					<u><u>(69,437)</u></u>	<u><u>(22,998)</u></u>

## 5. OTHER INCOME, GAINS AND LOSSES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank interest income	25	40
Net foreign exchange gain	2,288	7,088
Mould income	3,369	1,276
Rental income	189	217
Gain (loss) on disposal of property, plant and equipment, net	218	(205)
Gain on disposal of interests of associates	–	2,480
Loss on deregistration of subsidiaries ( <i>note i</i> )	(242)	(1,095)
Sundry income ( <i>note ii</i> )	1,460	499
	<u>7,307</u>	<u>10,300</u>

### Notes:

- (i) During the year ended 31 December 2023, the Group deregistered a wholly-owned subsidiary in the PRC. Loss on deregistration of a subsidiary at the date of deregistration was approximately HK\$1,095,000.

During the year ended 31 December 2024, the Group deregistered wholly-owned subsidiaries in the PRC. Loss on deregistration of subsidiaries at the date of deregistration was approximately HK\$242,000.

- (ii) Sundry income included the interest income from rental deposit HK\$36,000 in 2024 (2023: HK\$35,000).

## 6. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on bank loans	9,931	6,974
Interest on corporate bond	3,037	3,038
Interest on revolving loans	1,910	980
Interest on short-term loans	2,672	3,714
Interest on lease liabilities	208	358
Imputed interest on convertible bonds	426	523
	<u>18,184</u>	<u>15,587</u>

## 7. INCOME TAX EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong Profits Tax		
Current year	–	–
PRC Enterprise Income Tax		
Current year	3,952	4,094
Japan Corporate Income Tax		
Current year	–	5
	<u>3,952</u>	<u>4,099</u>
Deferred tax expense	<u>373</u>	<u>2,264</u>
Income tax expense	<u><u>4,325</u></u>	<u><u>6,363</u></u>

## 8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Employee benefit expense (including directors' remunerations):		
Wages and salaries	96,774	95,140
Other employee benefits	3,148	1,348
Contributions to defined contribution retirement plans	9,857	9,594
	<u><u>109,779</u></u>	<u><u>106,082</u></u>
Auditors' remuneration	1,000	1,400
Cost of inventories recognised as an expense (included in cost of sales)	495,518	478,136
Depreciation of property, plant and equipment	11,737	11,452
Depreciation of right-of-use assets	1,453	1,696
Write down of inventories, net (included in cost of sales)	4,683	5,449
Short-term lease charges in respect of land and buildings	351	669
Professional fee (included in other operating expenses)	<u><u>1,350</u></u>	<u><u>5,072</u></u>

## 9. DIVIDENDS

No dividend was paid or proposed for both years, nor has any dividend been proposed since the end of the reporting 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:

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Loss</b>		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(73,026)</u>	<u>(28,650)</u>
	<i>'000</i>	<i>'000</i> (Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue	<u>129,578</u>	<u>90,080</u>

No diluted earnings per share for the year ended 31 December 2024 was presented as there was no potential ordinary shares in issue for 2024. Accordingly, the diluted loss per share is the same as the basic loss per share.

No adjustment was made in calculating diluted loss per share for the year ended 31 December 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.

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for last year has been adjusted for the effect of share consolidation on 24 May 2024.

## 11. INVENTORIES

	2024 HK\$'000	2023 HK\$'000
Raw materials	19,313	22,786
Work in progress	44,934	34,357
Finished goods	<u>14,762</u>	<u>17,999</u>
	<u><u>79,009</u></u>	<u><u>75,142</u></u>

## 12. TRADE RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables, gross	105,083	71,657
Less: provision of ECL	<u>(1,749)</u>	<u>(1,175)</u>
Trade receivables, net	<u><u>103,334</u></u>	<u><u>70,482</u></u>

At as 31 December 2024, the gross carrying amount of trade receivables arising from contracts with customers amounted to approximately HK\$105,083,000 (2023: HK\$71,657,000).

The following is an ageing analysis of trade receivables (net of provision of ECL) presented based on the invoice dates which are approximate to the revenue recognition date:

	2024 HK\$'000	2023 HK\$'000
0 to 30 days	40,929	30,820
31 to 90 days	59,615	39,385
Over 90 days	<u>2,790</u>	<u>277</u>
	<u><u>103,334</u></u>	<u><u>70,482</u></u>

The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by management. Trade receivables are non-interest bearing.

## 13. TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date:

	2024 HK\$'000	2023 HK\$'000
0 to 30 days	103,007	79,205
31 to 90 days	50,527	45,181
Over 90 days	<u>51,090</u>	<u>46,155</u>
	<u><u>204,624</u></u>	<u><u>170,541</u></u>

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

## 14. BORROWINGS

	2024 Contractual interest rate (%)	HK\$'000	2023 Contractual interest rate (%)	HK\$'000
Bank loans – secured	<b>Fixed rates ranging from 3.85% to 6.30% per annum</b>	<b>139,589</b>	Fixed rates ranging from 3.85% to 6.30% per annum	163,097
Corporate bond – secured	<b>Fixed rate at 6.75% per annum</b>	<b>45,000</b>	Fixed rate at 6.75% per annum	45,000
Term loans – secured	<b>Fixed rate at 12.00% per annum</b>	<b>17,000</b>	Fixed rate at 12.00% per annum	17,000
– secured	<b>Fixed rate at 12.00% per annum</b>	<u><b>5,000</b></u>	Fixed rate at 12.00% per annum	<u>5,000</u>
Sub-total of secured borrowings		<u><b>206,589</b></u>		<u>230,097</u>
Revolving loan – unsecured	<b>Fixed rate at 12.00% per annum</b>	<b>8,000</b>	Fixed rate at 12.00% per annum	8,000
Other loan – unsecured	<b>Fixed rate at 16.00% per annum</b>	<u><b>2,500</b></u>		<u>–</u>
Sub-total unsecured borrowings		<u><b>10,500</b></u>		<u>8,000</u>
		<u><b>217,089</b></u>		<u>238,097</u>

The above loans are measured at amortised costs.

## 15. CONVERTIBLE BONDS

The holder of Convertible Bonds A with the principal amount of HK\$2,500,000 did not extend their notes upon maturity date in December 2024 and such Convertible Bonds A were reclassified to borrowings accordingly.

There is no outstanding convertible bonds as at 31 December 2024.

## 16. SHARE CAPITAL OF THE COMPANY

	Number of shares		Amount	
	2024 '000	2023 '000	2024 HK\$'000	2023 HK\$'000
Authorised:				
At 1 January				
Ordinary shares of HK\$0.01 (2023: HK\$0.01) each	70,000,000	70,000,000	700,000	700,000
Share consolidation (note b)	(56,000,000)	–	–	–
Share sub-division (note c)	56,000,000	–	–	–
At 31 December				
Ordinary shares of HK\$0.01 (2023: HK\$0.01) each	<u>70,000,000</u>	<u>70,000,000</u>	<u>700,000</u>	<u>700,000</u>
Issued and fully paid:				
At 1 January				
Ordinary shares of HK\$0.01 (2023: HK\$0.01) each	509,822	366,186	5,098	3,662
Issue of new shares under subscription agreement (note a)	101,965	–	1,020	–
Share consolidation (note b)	(489,430)	–	–	–
Share reduction (note c)	–	–	(4,894)	–
Issue of shares upon conversion of convertible bonds	–	143,636	–	1,436
Issue of new shares under subscription agreement (note d)	23,000	–	230	–
At 31 December				
Ordinary shares of HK\$0.01 (2023: HK\$0.01) each	<u>145,357</u>	<u>509,822</u>	<u>1,454</u>	<u>5,098</u>

### Notes:

- (a) On 15 January 2024, completion of the placing of the 101,964,566 ordinary shares of the Company under general mandate at a placing price HK\$0.066 per share took place with net proceeds of approximately HK\$6,500,000 raised.
- (b) Pursuant to the special resolution passed at the special general meeting of the Company held on 22 May 2024, the Company completed a share consolidation of every five (5) issued shares of HK\$0.010 each in the issued share capital of the Company into one (1) consolidated share of HK\$0.05 each with effect from 24 May 2024.
- (c) Immediately following the share consolidation in note (b) above, each of the authorised but unissued Consolidated Shares of par value of HK\$0.05 each be sub-divided into five (5) New Shares of par value of HK\$0.01 each and the issued share capital of the Company of HK\$6,117,847 divided into 122,357,480 consolidated shares of HK\$0.050 each was reduced to HK\$1,223,575 divided into 122,357,480 new shares by cancelling the paid-up capital of the Company to the extent of HK\$0.04 on each of the then consolidated share, such that the par value of each of the issued consolidated share was reduced from HK\$0.05 to HK\$0.01. The share reduction resulted in a debit of share capital of the Company with credit arising therefrom transferred to the accumulated losses.
- (d) On 26 August 2024, completion of the placing of the 23,000,000 ordinary shares of the Company under specific mandate at a placing price HK\$0.2 per share took place with net proceeds of approximately HK\$4,300,000 raised.

## 17. DISPOSAL OF SUBSIDIARIES

On 30 November 2024, the Company, the Vendor and an independent third party, being the purchaser (the “**Purchaser**”) entered into a sale and purchase agreement, pursuant to which, the Vendor agreed to sell, and the Purchaser agreed to acquire all the issued shares of Billion Pride Group Limited (“**Billion Pride**”, together with its subsidiaries, the “**Disposal Group**”). The cash consideration of HK\$1 was received.

The loss from disposal of the Disposal Group are analysed as follows:

	<i>HK\$'000</i>
Property, plant and equipment	57
Prepayments and other receivables	1,182
Bank balances and cash	1,151
Other payables and accruals	<u>(826)</u>
Net assets disposed of	1,564

The loss from disposal of subsidiaries are analysed as follows:

Total cash consideration	1
Net assets disposed of	<u>(1,564)</u>
Loss on disposal of subsidiaries	(1,563)
Net cash inflow on disposal of subsidiaries:	
Cash consideration received	1
Less: Bank balances and cash disposed of	<u>(1,151)</u>
Net cash outflow as at 31 December 2024	(1,150)

## 18. EVENTS AFTER END OF THE REPORTING PERIOD

### Issue of New Shares

On 28 January 2025, the Company allotted and issued an aggregate of 9,400,000 ordinary shares of HK\$0.01 each for cash at the net issue price of approximately HK\$0.14 per new share under the general mandate giving rise to net proceeds of HK\$1,200,000.



## **EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT**

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2024.

### **DISCLAIMER OF OPINION**

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR DISCLAIMER OF OPINION**

#### **Material uncertainties relating to going concern**

As explained in note to the consolidated financial statements, the Group incurred a net loss attributable to owners of the Company of approximately HK\$73,026,000 for the year ended 31 December 2024. As at the same date, the Group had net current liabilities and net liabilities of approximately HK\$220,257,000 and HK\$140,487,000, respectively, and the Group's bank balances amounted to approximately HK\$55,258,000, in contrast to its borrowings of approximately HK\$217,089,000, which are repayable within the next twelve months. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the date of this report and have undertaken a number of measures to improve the Group's liquidity and financial position which are set out in note to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis on the bases and assumption that the lenders have no current intention to exercise their right to demand immediate repayment of the borrowings, the validity of which depends on the outcome of the measures which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for further renewal of or extension for repayment of those borrowings which will mature within twelve months from the end of the reporting period; (ii) the successful cost saving measures to improve operating cash flows of the Group; and (iii) successfully obtaining of additional new sources of financing as and when needed.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in the note to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, and to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

We consider that the going concern basis of preparation of the consolidated financial statements has been adequately disclosed in the consolidated financial statements. Up to the date of our report, no agreement or information or indication of the lender's current intention for the further renewal of or extension for repayment of those outstanding corporate bonds and term loans is available. In this circumstance, we were unable to obtain sufficient appropriate audit evidence in relation to the adoption of the going concern basis in preparing the consolidated financial statements.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2024 (2023: nil).

### **BUSINESS REVIEW**

The main divisions of the Group based on the principal activities of the Group include the manufacturing for sale of toys (the "**Toys Division**") and the plantation and sales of agricultural products (the "**Agricultural Products Division**").

For FY2024, the Group recorded revenue of approximately HK\$515.9 million, representing a decrease of approximately 1.4% as compared to the revenue of approximately HK\$523.3 million for the year ended 31 December 2023 ("**FY2023**").

The decrease of revenue was mainly due to the worse performance of our Toys Division of approximately HK\$8.8 million. Gross profit for the year amounted to approximately HK\$13.8 million, representing a decrease of approximately 64.8% as compared with that of approximately HK\$39.2 million in FY2023 as a result of the worse performance of the Toys Division.

For FY2024, the net loss of the Group amounted to approximately HK\$73.8 million as compared with the net loss approximately HK\$29.4 million in FY2023. The increase in loss for FY2024 was mainly attributable to (i) the reduction of gross profit by approximately HK\$25 million due to the competitive market conditions during FY2024 in toys division and (ii) the increase in the impairment loss on property, plant and equipment by approximately HK\$10 million.

The following will discuss the detailed performance of each division of the Group.

## **Toys Division**

For FY2024, revenue of the Toys Division decreased by approximately 1.7% to HK\$514 million. The gross profit decreased to approximately HK\$13.8 million as compared to HK\$39.2 million in FY2023. The decrease in both revenue and gross profit of the Toys Division were mainly due to the decrease in purchase orders from the largest customer headquartered in the United States of America (the “USA”). The decrease in gross profit margin was mainly due to elevated discounts offered to its customers in response to a volatile and challenging consumer environment. The Toys Division recorded a reported segment loss before taxation of approximately HK\$44.5 million in FY2024, as compared to the reportable segment loss before taxation of approximately HK\$7.26 million in FY2023. Such reported segment loss before taxation of the Toys Division were mainly due to decrease in gross profit attributable to the Toys Division.

## **Agricultural Products Division**

For FY2024, revenue of agricultural products was improved and generated in approximately HK\$1.9 million as compared with that of approximately HK\$0.4 million in FY2023. The Agricultural Products Division recorded a reported segment loss before taxation of approximately HK\$3.5 million, which was mainly due to the plantation and sales of agricultural products in Japan were under the development stage in FY2024. The management plans to extend the plantation and sales of agricultural products in Japan.

## **FINANCIAL REVIEW**

### **Liquidity, Financial Resources and Capital Structure**

At the end of FY 2024, the Group had net current liabilities of approximately HK\$220.3 million (2023: HK\$185.2 million) comprising cash and cash equivalents (excluding pledged bank deposits) of approximately HK\$55.3 million (2023: HK\$119.3 million).

The capital deficiencies attributable to owners of the Company amounted to approximately HK\$139.0 million as at 31 December 2024, as compared to the capital deficiencies attributable to owners of the Company of approximately HK\$80.1 million as at 31 December 2023, mainly as a result of the significant operating loss incurred by the Group during the year. The Group financed its operations through a combination of debt financing and shareholder’s equity. The Group’s gearing ratio was determined as its net debt divided by total equity plus net debt where net debt included borrowings, convertible bond, trade and bills payables and other payables and accruals less pledged bank deposits and cash and cash equivalents. The gearing ratio of the Group as at 31 December 2024 was approximately 136.7% (2023: 131%).

Despite the loss incurred by the Group and the net liabilities status at the end of FY2024, the Group has proposed to issue the shares under the general mandate on 28 January 2025. Therefore, the Group has sufficient cash to support the Group’s ongoing business operations.

The management team is more closely aligned with our shareholders as can be seen from the actions taken so far to redirect the Company toward a better internal control, resolution of the legacy issues and a substantial reduction of the management cost.

## **DETAILS OF AUDIT QUALIFICATION AND RESPONSE FROM THE COMPANY**

### **Details of the Audit Qualification**

The Group had net current liabilities and net liabilities of approximately HK\$220,257,000 and HK\$140,487,000, respectively during the year ended 31 December 2024, and the Group's bank balances amounted to approximately HK\$55,258,000, in contrast to its borrowings approximately HK\$217,089,000, which are repayable within the next twelve months. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In this regard, the auditor of the Company issued a disclaimer of opinion on the consolidated financial statement of the Group for the year ended 31 December 2024 on material uncertainty on the Group's ability to continue as a going concern (the "**Audit Qualification**").

### **Actual or potential impact of the Audit Qualification on the Group's financial position**

The Audit Qualification does not itself show any actual impact on the Group's financial position. As set out in note to the consolidated financial statements, the consolidated financial statements have been prepared on the historical cost basis except for biological assets which are measured at their fair value less costs to sell and, certain financial instruments that are measured at fair values at the end of each reporting period. Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets, provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

### **Management's position**

In view of the Audit Qualification, the management of the Group (including the Directors) (the "**Management**") has given consideration related to the Group's current liquidity, performance and available sources of financing in assessing the Group's ability to continue as a going concern. Taking into account the successful and continued implementation of various measures such as including the successful completion of issuance of shares under the general mandate, successful negotiations with the lenders regarding the extension of the maturity of all outstanding borrowings, the Management believes that the Group should have sufficient working capital for a period of not less than 12 months from 31 December 2024, and hence it was appropriate to prepare the Group's consolidated financial statements on a going concern basis.

There was no disagreement between the Management and the Auditors regarding the Audit Qualification, considering that the consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the measures under management's assumptions, which are subject to certain uncertainties, including the Group's ability to generate operating cash flows and to obtain additional sources of financing. While the Company is of the view that it has already provided all available information and documents to demonstrate that the Group will have sufficient working capital for the 12 months after the year ended 31 December 2024, the Company also acknowledges the uncertainties raised by the Auditors specified above in that such uncertainties cannot be satisfied with the mere provision of documents and information.

### **Audit committee's views towards the Audit Qualification**

The audit committee reviewed and agreed with the management's position concerning the action plan of the Group to address the Audit Qualification disclosed above. The Audit Committee has also discussed with the Management and the Auditors to understand the reason for the Disclaimer and the views of the Board and the Auditors. The Audit committee concurs with the Management's position and views with respect to the Disclaimer and the Group's ability to continue as a going concern, the actions to be implemented by the management of the Group.

### **Proposed plans to address the Audit Qualification**

The Board is satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future, after taking into consideration of the point (i) to (iv) as set out in note 2 to the consolidated financial statements. The management recognises that further equity funding is required to resolve auditor's concern on the going concern issue. As such, the management will commence to contact potential investors with a view to raise equity funds by way of placing of new shares of the Company under a general mandate and/or rights issues. The management will vigorously consider any feasible plan from the potential underwriter and will proceed as and when appropriate and practicable. The management intends to conduct the equity fund activities and successfully raise fund for the Group by the end of 2025.

In view of the foregoing, and assuming all of the Company's plans or actions can be completed as planned, including the obtaining of alternative financing, and no new circumstances and conditions have occurred, subject to satisfactory completion of review of the Management's assessment of the Group's going concern and the Auditors being satisfied with the documents, information and evidence to be provided by the Company going forward, the Directors are of the view 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 year ended of 31 December 2024 and the Company is hopeful that that the Disclaimer may be removed in connection with the audit of the consolidated financial statements of the Group for the year ending 31 December 2025.

## **PROSPECTS**

The year of 2025 is likely to be characterized by a series of economic headwinds. One significant challenge is the ongoing geopolitical instability in various parts of the world. Conflicts, trade wars, and shifting alliances continue to create uncertainty, impacting global supply chains and trade flows. Additionally, inflationary pressures persist as central banks grapple with balancing interest rates to manage economic growth without stifling recovery efforts. We anticipate that 2025 is a challenging year and the Toys Division experienced tremendous pressure on product margins and turnover in FY2025.

Looking forward, we are cautiously optimistic as our Toys Division and Agricultural Products Division continue to improve their performances and the Board shall continue to explore more new business opportunities on a much lower management cost and look for more new potential customers to increase the market shares.

## **CORPORATE GOVERNANCE**

During the financial year ended 31 December 2024, the Company had complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31 December 2024, the Group employed 1,654 employees (2023: 1,513) with staff costs amounted to approximately HK\$109.8 million (2023: approximately HK\$106.1 million). Remuneration policies are reviewed annually by the management of the Company. The Group's remuneration policy is structured to consider comparable position in the market and the prevailing business scale of the Group.

## **SUBSEQUENT EVENT**

Referring to the Company's announcement on 22 January 2025, the Company allotted and issued an aggregate of 9,400,000 ordinary shares of HK\$0.01 each for cash at the net issue price of approximately HK\$0.12 per new share under the general mandate on 22 January 2025 and completion took place on 28 January 2025. The net proceeds from the subscription (after deduction of expenses of the subscription) are estimated to be approximately HK\$1.2 million. Saved as above, subsequent to 31 December 2024 and up to the date of this report, the Board is not aware of any significant event affecting the Group and requiring disclosure.

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

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed shares.

## **AUDIT COMMITTEE**

The annual results for FY2024 have been reviewed by the Audit Committee of the Company. The consolidated financial statements of the Group for FY2024 have been audited by the Company’s auditor, Confucius International CPA Limited (the “**Auditors**”). The financial information set out in this announcement represents an extract from these consolidated financial statements.

## **CLOSURE OF REGISTER OF MEMBERS**

The Company will make further announcement when the book closure period of the transfer books and the register of members of the Company for determining shareholders’ entitlement to attend and vote at the forthcoming annual general meeting is fixed.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2024 ON THE WEBSITE**

This announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.winshine.com>. The annual report of the Company for the year ended 31 December 2024 will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to thank all our shareholders, customers, bankers and other business associates for their continuing trust and support to the Group. I would also like to thank all Directors, the management team and our staff for their dedication, commitment and loyalty to the Group.

By Order of the Board  
**Winshine Science Company Limited**  
**Jiang Qinghui**  
*Chairman*

Hong Kong, 31 March 2025

*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. Kwok Kim Hung Eddie, Mr. Zhao Yong and Ms. Wang Yumei.*

\* *For identification purpose only*