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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF BRIGHT TRIUMPH DEVELOPMENT LIMITED

THE DISPOSAL

On 15 November 2021 (after trading hours), the Vendor, the Company (as the Vendor's guarantor) and the Purchaser entered the Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire, the Sale Shares and the current account between the Target Group and the Vendor at the Consideration of HK\$49,000,000.

LISTING RULES IMPLICATION

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirement under Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 15 November 2021 (after trading hours), the Vendor, the Company (as the Vendor's guarantor) and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire, the Sale Shares and the current account between the Target Group and the Vendor at the Consideration of HK\$49,000,000. The principal terms of the Agreement are as follows:

THE AGREEMENT

Date: 15 November 2021

Parties: (i) the Vendor
(ii) the Purchaser
(iii) the Company

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be disposed of

The Sale Shares represent 100% of the issued shares of Bright Triumph and the current account between the Target Group and the Vendor in an aggregate amount of HK\$134,429,453.84.

As at the date of this announcement, Bright Triumph holds the entire issued shares of China Upgring Technology, which in turn holds the entire issued shares of Yi Nuo Technology (Suzhou). Upon Completion, each of Bright Triumph, China Upgring Technology and Yi Nuo Technology (Suzhou) will cease to be an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will cease to be consolidated into the financial statements of the Group.

Transfer of Sale Shares and Considerations

The Vendor shall transfer 60% of Sale Shares and the current account between the Target Group and the Vendor to the Purchaser on the First Payment Date and the remaining 40% of the Sale Shares and the current account between the Target Group and the Vendor on the Second Payment Date.

The Consideration for the Sale Shares and the current account between the Target Group and the Vendor is HK\$49,000,000 which will be paid in cash in the following manner:

- (a) on the First Payment Date, the Purchaser shall pay HK\$29,400,000 (representing 60 % of the Consideration) to the Vendor for the transfer of 60% of the Sale Shares and the current account between the Target Group and the Vendor; and
- (b) on the Second Payment Date, the Purchaser shall pay HK\$19,600,000 (the “**Balance of Consideration**”) (representing 40% of the Consideration) to the Vendor for the transfer of 40% of the Sale Shares and the current account between the Target Group and the Vendor.

The Purchaser may deduct from the Balance of Consideration the following:

- (a) any liabilities or contingent liabilities of the Target Group (including the liabilities disclosed in the Agreement but excluding any liabilities in relation to a litigation at Shanghai and the current account between the Target Group and the Vendor);
- (b) all fees, costs and expenses incurred for the fulfilment of the conditions under the heading “Conditions” below.

(collectively, the “**Deductions**”)

If the Deductions are more than the Balance of Consideration, the Vendor shall pay the differences to the Purchaser on the Second Payment Date.

The Consideration was determined after arm's length negotiations with reference to the preliminary valuation of the Target Property, the adjusted net asset value of the Target Group and the prevailing market conditions.

Conditions

The Purchaser shall use its best effort to complete the following as soon as practice after the execution of the Agreement:

- (a) completing the removal of Yi Nuo Technology (Suzhou) from the "List of Enterprises with Abnormal Operations";
- (b) completing the registration and filing in respect of the change of legal representative, board members, supervisors and managers of Yi Nuo Technology (Suzhou);
- (c) completing the release of the seizure of the Target Property owned by Yi Nuo Technology (Suzhou);
- (d) obtaining extension of the annual review of the Target Property owned by Yi Nuo Technology (Suzhou); and
- (e) completing the registration of the change of registered capital of the Yi Nuo Technology (Suzhou).

The Vendor shall assist the Purchaser in fulfilling the conditions above. All fees, costs and expenses incurred, after communicate with the Vendor, shall be borne by the Vendor.

The Purchaser is not obliged to complete or fulfill the conditions above. The Purchaser may within one year after the First Payment Date by not less than 7 days' notice request the Vendor to complete the transfer of the remaining 40% of the Sale Shares and the current account between the Target Group and the Vendor and deduct the Deductions from the Balance of Consideration. If the conditions cannot be fulfilled one year after the First Payment Date, the parties shall further negotiate on the transfer of the remaining 40% of the Sales Share and the current account between the Target Group and the Vendor and the payment of the Balance of Consideration. Prior to the Second Payment Date, the Purchaser shall not sell, pledge or otherwise create encumbrances over the 60% of the Sale Shares acquired by it on the First Payment Date.

Guarantee

The Company has agreed to guarantee the performance of the obligations of the Vendor under the Agreement.

INFORMATION OF THE TARGET GROUP AND THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company. The principal business activity of the Vendor is investment holding.

Bright Triumph is a company incorporated in the British Virgin Islands with limited liability. The principal business activity of Bright Triumph is investment holding. The Target Group comprises Bright Triumph and its subsidiaries, including China Upgring Technology and Yi Nuo Technology (Suzhou). The principal business of the Target Group is investment holding and lease of properties.

The principal asset of the Target Group is the Target Property. The Target Property comprises a piece of land of approximately 66,670 square meters and buildings thereon with gross floor area of approximately 12,650 square meters. A portion of the Target Property (including the land and a factory building) is currently leased to an independent third party, the lease contract of which will expire on 30 June 2022.

Set out below is the unaudited combined financial information of the Target Group for the years ended 31 December 2019 and 31 December 2020 respectively:

	For the year ended 31 December 2019	For the year ended 31 December 2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	nil	nil
Net loss before taxation	(130)	(3,127)
Net loss after taxation	(130)	(3,127)

The net asset value of the Target Group as extracted from its unaudited financial statements for the period ended 31 October 2021 was approximately HK\$40,160,000.

INFORMATION OF THE PURCHASER

The Purchaser is a company established in British Virgin Islands with limited liability. The principal business activity of the Purchaser is investment holding. The ultimate beneficial owner of the Purchaser is Wang ShuQing 汪淑清.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of the Purchaser and its ultimate beneficial owner are Independent Third Parties.

FINANCIAL EFFECTS OF THE DISPOSAL

Following Completion, each of Bright Triumph, China Upgring Technology and Yi Nuo Technology (Suzhou) will cease to be an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will cease to be consolidated into the financial statements of the Group.

The Disposal is expected to recognise a profit before tax of approximately HK\$8,500,000 to the Group, which is calculated based on the Consideration of HK\$49,000,000 less the net asset value of the Target Group of approximately HK\$40,160,000 and direct cost attributable to the Disposal of HK\$340,000. The actual amount of the profit on the Disposal to be recognised by the Group will depend on the net asset value of the Target Group as at Completion and therefore may be different from the amount mentioned above. The net proceeds from the Disposal will be approximately HK\$48,660,000, which will be used for development of existing business, possible investment in new projects and as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 completed its acquisition of Yi Nuo Technology (Suzhou) in November 2016 and entered into contracts to undergo renovation and engineering upgrade work aiming at maximising the returns from this investment and expanding the Group's business on medical and health sector. The Group mentioned in the 2017 interim report that due to disagreement over the major issues of the future development of Novotide JV, which is the joint venture set up by the Group and Beijing Novotide Biomedical Technology Co. Ltd. to engage in the research and development of the Peptide Secretion Technology for malignant tumor treatment, the Group suspended further investment in Novotide JV. Afterwards, the Group reviewed its strategy plan in medical and health business and considered that the disposal of the Target Group can provide more flexibility and funding for the Group to develop the Group's existing business and to look for other new investment opportunities.

In view of the above, the Board considers that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirement under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“Agreement”	the sale and purchase agreement dated 15 November 2021 entered into between the Vendor, the Company and the Purchaser in respect of the Disposal
“Board”	the board of Directors
“Bright Triumph”	Bright Triumph Development Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly owned by the Vendor
“China Upgring Technology”	China Upgring Technology Holdings Company Limited, a company incorporated in Hong Kong with limited liability which is wholly owned by Bright Triumph
“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)
“Completion”	the completion of the Disposal pursuant to the terms of the Agreement
“Consideration”	HK\$49,000,000, being the consideration of the Disposal
“Directors”	the directors of the Company

“Disposal”	the sale of the Sale Shares and the current account between the Target Group and the Vendor by the Vendor to the Purchaser pursuant to the terms of the Agreement
“First Payment Date”	within 10 business days after signing of the Agreement or such other date as the Vendor and the Purchaser may agree in writing
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Purchaser”	Best Virtue Investment Holding Limited, a company incorporated in British Virgin Islands with limited liability
“Sale Shares and the current account between the Target Group and the Vendor”	100% of the issued shares of Bright Triumph and the current account balances between the Target Group and the Vendor
“Second Payment Date”	not later than 10 business days after conditions under the headed “Conditions” above having been fulfilled or the date as determined by the Purchaser by sending not less than 7 day’s notice to the Vendor as set out in the paragraph headed “Conditions” above or such other date as the Purchaser and Vender may agree in writing
“Share(s)”	the ordinary share(s) of HK\$0.1 each of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group” or “Target Group Companies”	Bright Triumph, China Upgring Technology and Yi Nuo Technology (Suzhou)
“Target Property”	a piece of land at Jiangsu Suzhou Hi-Tech Zone* (江蘇省蘇州高新區) of approximately 66,670 square meters and various buildings and structures erected thereon

“Yi Nuo Technology (Suzhou)”	Yi Nuo Technology (Suzhou) Company Limited (宜諾科技(蘇州)有限公司), a company incorporated in the PRC with limited liability and is wholly owned by China Upgring Technology
“Vendor”	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
“%”	per cent.

By Order of the Board
Zhao Deyong
Chairman

Hong Kong, 15 November 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zhao Deyong (Chairman), Dr. Liao Wenjian (Chief Executive Officer) and Mr. Wong Kui Fai; 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

* *For identification purpose only*