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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)

**PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER GENERAL MANDATE**

On 16 December 2022 (after trading hours), the Company entered into the CB Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue to the Subscriber the Convertible Bonds in an aggregate principal amount of HK\$14,000,000.

Based on the initial Conversion Price of HK\$0.22 per Conversion Share, a total of 63,636,363 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, representing (i) approximately 17.38% of the total number of Shares in issue as at the date of this announcement, and (ii) approximately 14.81% of the total number of Shares in issue as enlarged by the allotment and issue of the 63,636,363 Conversion Shares upon full conversion of the Convertible Bonds.

The gross proceeds from the CB Subscription (after deducting related expenses) are estimated to be HK\$14 million. The net proceeds from the CB Subscription (after deducting related expenses) are estimated to be approximately HK\$13.8 million and the Company intends to use such net proceeds for the working capital requirement of the Group.

No application will be made for the listing of, and permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Upon exercise of the conversion rights attached to the Convertible Bonds, the Conversion Shares will be allotted and issued under the General Mandate.

Shareholders and potential investors of the Company should note that completion of the CB Subscription is conditional upon satisfaction of the conditions set out in the paragraph headed “Conditions for the CB Subscription” in this announcement. Accordingly, the CB Subscription may or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 16 December 2022 (after trading hours), the Company entered into the CB Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue to the Subscriber the Convertible Bonds in an aggregate principal amount of HK\$14,000,000. Details of the salient terms of the CB Subscription Agreement are set out below:

Date

16 December 2022 (after trading hours)

Parties

- (1) The Company, as the issuer
- (2) The Subscriber, as the subscriber

Subject matter

Pursuant to the CB Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue to the Subscriber the Convertible Bonds in an aggregate principal amount of HK\$14,000,000.

Conditions for the CB Subscription

Completion of the CB Subscription Agreement is conditional upon the satisfaction of the following conditions precedent:

- (i) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares (and such listing and permission not being subsequently revoked prior to the completion of the CB Subscription);

- (ii) the Company having received all necessary approvals and permissions for the CB Subscription Agreement and the transactions contemplated thereunder; and
- (iii) the Subscriber having received all necessary approvals and permissions for the CB Subscription Agreement and the transactions contemplated thereunder.

If any of the conditions precedent above have not been fulfilled on or before 5 January 2023 (or such later date as may be agreed between the Subscriber and the Company in writing), the CB Subscription Agreement shall lapse immediately thereafter and be of no further effect and neither the Company nor the Subscriber shall have any claim against or liability or obligation to each other under the CB Subscription Agreement save for any rights or obligations which may accrue prior to the date of such termination.

Completion

After all the conditions precedent of the CB Subscription Agreement have been satisfied, the CB Subscription shall be completed in two tranches, with the first tranche of the CB Subscription to be completed on the date that is two (2) weeks after the satisfaction of the conditions precedent and the second tranche of the CB Subscription to be completed on the date that is one (1) month after the completion of the first tranche of the CB Subscription.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Issuer	:	The Company
Principal Amount	:	HK\$14,000,000 in aggregate
Issue Price	:	100% of the principal amount
Interest	:	The Convertible Bonds shall bear interest at the rate of 16% per annum from the date of issue (inclusive of such date), payable on a monthly basis, until the Maturity Date or the date on which the Convertible Bonds are converted into Shares, payable on such date
Maturity Date	:	31 December 2023
Conversion Right	:	The Bondholder shall have the right to convert all or any part of the Convertible Bonds in the lots of HK\$500,000 of the principal amount at any time from the date of issue of the Convertible Bonds up to seven (7) days prior to the Maturity Date.

If the issue of Conversion Shares following the exercise by a Bondholder relating to any of the Convertible Bonds held by such Bondholder would result in the Company not meeting the requirement under the Listing Rules that not less than 25% (or such other percentage as may from time to time be specified in the Listing Rules) of the Shares shall be held by the public immediately after the conversion, the Bondholder shall not be allowed to convert the Convertible Bonds.

Conversion Price : Initially HK\$0.22 per Conversion Share, subject to adjustments

The Conversion Price of HK\$0.22 per Conversion Share was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading prices of the Shares and represents:

- (i) a premium of approximately 2.81% over the closing price of HK\$0.214 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 2.81% over the average closing price of HK\$0.214 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day.

- Adjustment to the Conversion Price** : The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events, such as (i) consolidation or sub-division of Shares; (ii) capitalisation of profits or reserves; (iii) capital distribution; (iv) rights issues or grant of options or warrants to Shareholders to subscribe for Shares at a price which is less than 90% of the then market price of the Shares; (v) issue of convertible or exchangeable securities with the total effective consideration per Share at less than 90% of the then market price of the Shares or any rights of conversion, exchange or subscription attached to such securities are modified so that the said total effective consideration per Share is less than 90% of the then market price of the Shares; or (vi) issue of any Shares wholly for cash at a price per Share which is less than 90% of the then market price; and (vii) issue of new Shares for the acquisition of asset at a total effective consideration per Share less than 90% of the then market price of the Shares, in accordance with the provisions of the instrument of the Convertible Bonds.
- Conversion Shares** : Based on the initial Conversion Price of HK\$0.22 per Conversion Share, a total of 63,636,363 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, representing (i) approximately 17.38% of the total number of Shares in issue as at the date of this announcement, and (ii) approximately 14.81% of the total number of Shares in issue as enlarged by the allotment and issue of the 63,636,363 Conversion Shares upon full conversion of the Convertible Bonds.
- The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of conversion.
- Redemption on Maturity** : Unless previously converted, the Convertible Bonds will be redeemed by the Company on the Maturity Date at its principal amount outstanding.
- Application for listing** : No application will be made for a listing of the Convertible Bonds. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Voting : The Bondholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being the Bondholder.

Transferability : The Convertible Bonds are freely transferable.

General Mandate to issue the Conversion Shares

At the annual general meeting of the Company held on 24 June 2022, the General Mandate was granted to the Directors, pursuant to which the Directors were authorised to allot and issue such Shares of not exceeding 20% of the aggregate number of issued Shares as at the date of the annual general meeting, being a maximum of 72,237,294 Shares (as adjusted to reflect the capital reorganisation of the Company which took effect in November 2022). As at the date of this announcement, no Shares have been issued by the Company under the General Mandate.

Assuming there is no further issue or repurchase of the Shares and there is no adjustment to the initial Conversion Price, upon the full conversion of the Convertible Bonds, a total of approximately 63,636,363 Conversion Shares will be issued, which represent approximately 88.09% of the new Shares which may be allotted and issued under the General Mandate.

Accordingly, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares (upon the conversion of the Convertible Bonds) are not subject to the approval of the Shareholders.

Fund raising activities in the past twelve months

Save for the proposed and not yet completed issue of convertible bonds by the Company in the aggregate principal amount of HK\$22,500,000 to two subscribers, the details of which are set out in the announcement of the Company dated 14 October 2022, the Company has not conducted any equity fund raising activity in the past twelve months before the date of this announcement.

INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, as at the date of this announcement, the Subscriber and its ultimate beneficial owner, namely, Mr. Jiang Qinghui, are Independent Third Parties, and they are not connected with or acting in concert (as defined in Takeovers Code) with the subscribers of the convertible bonds proposed but not yet issued by the Company in the aggregate principal amount of HK\$22,500,000 as announced in the announcement of the Company dated 14 October 2022.

REASONS FOR THE CB SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the manufacturing and trading of toys and securities investments. The Directors consider that the raising of funds by the issue of the Convertible Bonds is an appropriate method to raise the necessary funding for the Company and in the interests of the Company and Shareholders as a whole since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

Subject to the completion of the CB Subscription, the aggregate gross proceeds from the CB Subscription will be HK\$14 million and the net proceeds from the CB Subscription (after deduction of estimated professional fees and other related expenses) are estimated to be approximately HK\$13.8 million. The Company intends to use the net proceeds from the CB Subscription in full for the general working capital of the Group.

As disclosed above and in the announcement of the Company dated 14 October 2022, the Company has proposed to issue convertible bonds on similar terms as the CB Subscription in the aggregate principal amount of HK\$22,500,000 to two subscribers, details of which are set out in the announcement of the Company dated 14 October 2022. The proposed use of the net proceeds from such issue is primarily for the possible investment in a watermelon planting project in Japan, with only up to HK\$2 million intended to be applied for the general working capital of the Group, which is insufficient to meet the imminent funding needs of the Group. The proposed primary use of the net proceeds is for the possible investment, which, if materialised, will be pledged in favour of one of the subscribers as security of the subscription monies and such security shall be released when such subscriber ceases to be a bondholder, and such proposed use for such net proceeds cannot be changed to be applied for the general working capital of the Group.

As at the date of this announcement, the issue of such convertible bonds has not yet completed and the long stop date for the completion of such issue is 28 February 2023, however, the Company has imminent funding needs, the fulfillment of which cannot be delayed until the completion of such issue, which can take place as late as 28 February 2023. A breakdown of such imminent funding needs, some of which have become overdue as at the date of this announcement, proposed to be satisfied by the net proceeds from the CB Subscription is as follows:

- (i) approximately HK\$8.1 million, representing approximately 58.7% of the total net proceeds, shall be applied for the settlement of outstanding professional fees for services rendered to the Group previously, including audit fees and legal fees;
- (ii) approximately HK\$3.6 million, representing approximately 26.1% of the total net proceeds, shall be applied for the rent, utilities and other general upkeep and office related fees and expenses; and
- (iii) approximately HK\$2.1 million, representing approximately 15.2% of the total net proceeds, shall be applied for the directors' fees and staff costs and other miscellaneous staff related expenses.

The net price per Conversion Share, which is calculated by dividing the aggregate net proceeds by the total number of the Conversion Shares based on the initial Conversion Price, is approximately HK\$0.217.

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares upon the exercise of the conversion rights under the Convertible Bonds in full (assuming that the Conversion Price is HK\$0.22 per Conversion Share and there is no further issue or repurchase of Shares before the exercise of such conversion rights), are illustrated in the below table:

	As at the date of this announcement		Immediately after completion of the CB Subscription (assuming the Convertible Bonds are converted in full)	
	Number of Shares held	Approximate % of total Shares in issue	Number of Shares held	Approximate % of total Shares in issue
Substantial shareholder				
China Strategic Holdings Limited	65,199,547	17.80%	65,199,547	15.17%
Ji Xiang (“Mr. Ji”) (Note 1)	49,697,600	13.57%	49,697,600	11.56%
Shen Jia	40,000,000	10.93%	–	–
The Subscriber	–	–	63,636,363	14.81%
Public shareholder				
Shen Jia	–	–	40,000,000	9.31%
Other public Shareholders	211,289,325	57.70%	211,289,325	49.16%
Total	<u>366,186,472</u>	<u>100.00%</u>	<u>429,822,835</u>	<u>100.00%</u>

Notes:

- 49,697,600 Shares were held by Excel Jade Limited, which was owned as to 100% by Mr. Ji. Accordingly, Mr. Ji was deemed to be interested in 49,697,600 Shares of the Company under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).
- The figures are provided for illustrative purposes only. The terms of the Convertible Bonds will not permit conversion if immediately after such conversion, the public float of the Shares will fall below the minimum requirements of the Listing Rules from time to time. Further, the figures provided have not

taken into account the proposed issued of convertible bonds by the Company in the aggregate principal amount of HK\$22,500,000 to two subscribers, the details of which are set out in the announcement of the Company dated 14 October 2022, as such issue has not yet completed.

WARNING

Shareholders and potential investors of the Company should note that completion of the CB Subscription is conditional upon satisfaction of the conditions set out in the paragraph headed “Conditions for the CB Subscription” in this announcement. Accordingly, the CB Subscription may or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Board”	board of the Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day(s)”	a day (other than a Saturday and Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon) on which banks are open for business in Hong Kong
“CB Subscription”	the subscription by the Subscriber of the Convertible Bonds pursuant of the terms of the CB Subscription Agreement
“CB Subscription Agreement”	the conditional subscription agreement dated 16 December 2022 and entered into between the Company and the Subscriber in respect of the subscription of the Convertible Bonds in the principal amount of HK\$14,000,000
“Company”	Winshine Science Company Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 209)
“Conversion Price”	the conversion price of the Convertible Bonds, being HK\$0.22 per Conversion Share initially (subject to adjustments pursuant to the terms of the instrument of the Convertible Bonds)

“Conversion Shares”	new Share(s) to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$14,000,000 to be issued by the Company to the Subscriber pursuant to the CB Subscription Agreement
“Directors”	directors of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 24 June 2022 to allot, issue and deal with up to 20% of the total issued Shares as at the date of such annual general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Last Trading Day”	16 December 2022, being the last full trading day for the Shares on the date of this announcement
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board maintained and operated by the Stock Exchange
“Maturity Date”	31 December 2023
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Hong Kong Huiheng Trading and Investment Co., Limited, a company incorporated in Hong Kong and wholly owned by Mr. Jiang Qinghui
“Takeovers Code”	The Code on Takeovers and Mergers published by the SFC, as amended, supplemented or otherwise modified from time to time
“%”	per-cent

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

Hong Kong, 16 December 2022

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

* *For identification purpose only*