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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)**

**FINAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Winshine Science Company Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 together with the comparative figures for the previous year.

Reference is made to the announcement of the Company dated 30 March 2022 (the “**Unaudited Annual Results Announcement**”) in relation to, among others, the unaudited annual results of the Company for the year ended 31 December 2021. As certain changes have been made to the unaudited financial information of the Group for the year ended 31 December 2021 as contained in the Unaudited Annual Results Announcement, the differences between the unaudited financial information and the audited financial information contained in this announcement are set out in the section headed “Material differences between the Unaudited and Audited Annual Results” in this announcement. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Unaudited Annual Results Announcement.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE YEAR ENDED 31 DECEMBER 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>724,627</b>	364,311
Cost of sales		<u>(687,370)</u>	<u>(345,796)</u>
Gross profit		<b>37,257</b>	18,515
Other income, gains and losses	5	<b>(10,475)</b>	(6,999)
Provision of expected credit loss for loan receivables	6	<b>(1,886)</b>	(8,952)
Provision of expected credit loss for loan interest receivables	6	<b>(217)</b>	(2,565)
Provision of expected credit loss for trade receivables	6	<b>(9,453)</b>	(2,603)
Impairment loss on property, plant and equipment		<b>(30,704)</b>	–
Impairment loss on right-of-use assets		<b>(3,140)</b>	–
Gain on disposal of subsidiaries	20	–	7,991
Selling and distribution costs		<b>(5,710)</b>	(4,109)
Administrative expenses		<b>(66,966)</b>	(58,326)
Research and development expenses		–	(336)
Changes in fair value of financial assets at fair value through profit or loss		<b>100</b>	(2,929)
Other operating expenses		<b>(22,600)</b>	(28,358)
Finance costs	7	<u>(16,079)</u>	<u>(13,449)</u>
<b>Loss before tax</b>		<b>(129,873)</b>	(102,120)
Income tax (expense) credit	8	<u>(6,142)</u>	<u>6,341</u>
<b>Loss for the year</b>	9	<u><b>(136,015)</b></u>	<u>(95,779)</u>
<b>Loss for the year attributable to the owners of the Company</b>		<u><b>(136,015)</b></u>	<u>(95,779)</u>
<b>Loss per share</b>			
Basic and diluted	11	<u><b>(HK3.71 cents)</b></u>	<u>(HK2.62 cents)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 DECEMBER 2021*

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(136,015)</b>	(95,779)
<b>Other comprehensive (expense) income</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
(Loss) gain on revaluation of properties	(4,427)	2,843
Deferred tax (charge) credit arising from revaluation of properties	(723)	449
	<u>(5,150)</u>	<u>3,292</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	4,322	10,188
Release of exchange reserve upon disposal of a subsidiary	–	(79)
	<u>4,322</u>	<u>10,109</u>
Other comprehensive (expense) income for the year	(828)	13,401
<b>Total comprehensive expense for the year</b>	<b><u>(136,843)</u></b>	<b><u>(82,378)</u></b>
<b>Total comprehensive expense for the year attributable to the owners of the Company</b>	<b><u>(136,843)</u></b>	<b><u>(82,378)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>106,673</b>	141,549
Right-of-use assets		<b>14,190</b>	6,537
Investment properties		<b>44,276</b>	106,702
Rental deposit	<i>15</i>	<b>309</b>	–
Deferred tax assets		<b>–</b>	7,517
		<hr/> <b>165,448</b>	<hr/> 262,305
<b>Current assets</b>			
Financial assets at fair value through profit or loss		–	1,761
Inventories	<i>13</i>	<b>113,864</b>	93,360
Trade receivables	<i>14</i>	<b>134,162</b>	55,776
Loan receivables	<i>12</i>	–	1,787
Prepayments, deposits and other receivables	<i>15</i>	<b>15,603</b>	10,094
Pledged bank deposits		<b>1,190</b>	3,463
Bank balances and cash		<b>66,634</b>	56,142
		<hr/> <b>331,453</b>	<hr/> 222,383
Assets classified as held for sale	<i>16</i>	<b>53,447</b>	–
		<hr/> <b>384,900</b>	<hr/> 222,383
<b>Current liabilities</b>			
Trade payables	<i>17</i>	<b>254,353</b>	140,590
Other payables and accruals	<i>18</i>	<b>83,385</b>	42,129
Contract liabilities		<b>2,954</b>	1,700
Borrowings	<i>19</i>	<b>263,567</b>	232,906
Lease liabilities		<b>4,769</b>	2,363
Tax payables		<b>2,931</b>	2,933
		<hr/> <b>611,959</b>	<hr/> 422,621
Liabilities associated with assets classified as held for sale	<i>16</i>	<b>5,380</b>	–
		<hr/> <b>617,339</b>	<hr/> 422,621

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Net current liabilities</b>	<u>(232,439)</u>	<u>(200,238)</u>
<b>Total assets less current liabilities</b>	<u><u>(66,991)</u></u>	<u><u>62,067</u></u>
<b>Non-current liabilities</b>		
Lease liabilities	8,285	533
Deferred tax liabilities	<u>23,666</u>	<u>23,633</u>
	<u>31,951</u>	<u>24,166</u>
<b>Net (liabilities) assets</b>	<u><u>(98,942)</u></u>	<u><u>37,901</u></u>
<b>Capital and reserves</b>		
Share capital	366,186	366,186
Deficit	<u>(465,128)</u>	<u>(328,285)</u>
<b>(Capital deficiencies)/total equity</b>	<u><u>(98,942)</u></u>	<u><u>37,901</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 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 sale of toys, and securities investments.

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

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. For the year ended 31 December 2021, the Group incurred a loss of approximately HK\$136,015,000 and recorded an operating cash outflow of approximately HK\$15,164,000 and as at 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK\$232,439,000 and HK\$98,942,000 respectively. The Group’s bank balances and cash and pledged bank deposits amounted to approximately HK\$66,634,000 and HK\$1,190,000 respectively, in contrast to its borrowings and bill payables of approximately HK\$263,567,000 and HK\$3,967,000 respectively, 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 positions, liquidity and cash flows, the directors of the Company have adopted or in the process of adopting the following measures:

- i. extending the repayment terms and the expiry dates of the Group’s existing borrowings and banking facilities respectively by entering the extension agreements with the respective lenders after the end of the reporting period but before the consolidated financial statements authorised for issue and the details are as follows:
  - (a) the repayment term of the corporate bonds of HK\$45,000,000 due on 31 March 2022 has been extended to 31 March 2023;

- (b) the repayment term of the term loans of HK\$17,000,000 and HK\$15,000,000 due on 13 May 2022 and 27 April 2022, respectively have been extended to 13 May 2023 and 27 April 2023 respectively; and
  - (c) the expiry date of the bank facilities of RMB150,000,000 (equivalent to approximately HK\$183,464,000), of which RMB140,247,000 (equivalent to approximately HK\$171,534,000) was utilised as of 31 December 2021, secured by the Group's leasehold buildings and leasehold lands under right-of-use assets due on 25 March 2022 has been extended to 9 March 2023 with the limit of bank facilities revised as RMB141,000,000 (equivalent to approximately HK\$172,456,000).
- ii. an active cost-saving measures to control operating cost and administrative costs through various ways has been implemented to improve operating cash flows at a level sufficient to finance the working capital requirements of the Group;
  - iii. reviewing its investments and actively considering to realise investment properties in order to enhance the cash flow position of the Group whenever it is necessary, and pursuant to the sale and purchase agreement entered into with an independent third party on 21 March 2022, 60% of the total issued share capital of, and 60% of the shareholder's loan owed by a subsidiary of the Company, which was principally engaged in investment holding, has been disposed of at a consideration of HK\$15,000,000, of which the first payment of HK\$10,000,000 has been received by the Group on 22 March 2022; 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 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“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 Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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.

### 4. REVENUE AND OPERATING SEGMENTS

Revenue represents revenue arising on sale of toy products for the year. 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.

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Revenue from sales of finished goods of toy products	<u>724,627</u>	<u>364,311</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 three reportable segments. No operating segments have been aggregated in arriving at the following reportable segments of the Group.

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

1. Securities investments: this segment derives its profits or losses from dividends received from, and other gains or losses from, equity securities investments.
2. Toys: this segment derives its revenue from manufacturing for sale of toys.
3. Medical and health: this segment is under development stage in which research and development expenses for the medical and health technology development have been incurred.

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.

## Segment revenue and results

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

For the year ended 31 December 2021 and 2020

	Securities investments		Toys		Medical and health		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>Reportable segment revenue</b>								
Revenue from external customers	<u>-</u>	<u>-</u>	<u>724,627</u>	<u>364,311</u>	<u>-</u>	<u>-</u>	<u>724,627</u>	<u>364,311</u>
<b>Reportable segment profit (loss) before tax</b>	<u>93</u>	<u>(2,876)</u>	<u>(69,118)</u>	<u>(61,646)</u>	<u>-</u>	<u>(336)</u>	<u>(69,025)</u>	<u>(64,858)</u>
Unallocated corporate income							<u>4,018</u>	<u>15,118</u>
Unallocated corporate expenses							<u>(64,866)</u>	<u>(52,380)</u>
<b>Loss before tax</b>							<u>(129,873)</u>	<u>(102,120)</u>

## 5. OTHER INCOME, GAINS AND LOSSES

	2021 HK\$'000	2020 HK\$'000
Bank interest income	70	1,363
Loan interest income	-	962
Changes in fair value of investment properties	(18,986)	(10,344)
Net foreign exchange loss	(2,948)	(4,766)
Mould income	3,041	867
Rental income	1,595	1,913
Gain/(loss) on disposal of property, plant and equipment, net	65	(68)
Government grants ( <i>note i</i> )	-	2,702
Investment project recovery ( <i>note ii</i> )	1,454	-
Sundry income	<u>2,234</u>	<u>372</u>
	<u>(10,475)</u>	<u>(6,999)</u>

Notes:

- (i) During the year ended 31 December 2020, the Group recognised government grants of HK\$1,746,000 in respect of COVID-19 related subsidies, which relates to Employment Support Scheme provided by the Hong Kong government.
- (ii) During the year ended 31 December 2021, the Group recovered approximately United States dollar ("US\$") 1,173,000 (equivalent to approximately HK\$9,149,000) of management income fee in connection with acting as a co-manager of an investment project ("Investment Project") in the previous year, which is net off with commission expenses paid to a consultant engaged by the Group in relation to the Investment Project amounted to approximately US\$986,000 (equivalent to approximately HK\$7,695,000).

**6. PROVISION FOR EXPECTED CREDIT LOSSES (“ECL”)**

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of ECL for loan receivables	<b>1,886</b>	8,952
Provision of ECL for loan interest receivables	<b>217</b>	2,565
Provision of ECL for trade receivables	<b>9,453</b>	2,603
	<u><u>          </u></u>	<u><u>          </u></u>

**7. FINANCE COSTS**

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	<b>6,584</b>	7,102
Interest on corporate bonds	<b>3,038</b>	3,054
Interest on revolving loans	<b>2,622</b>	2,178
Interest on short-term loans	<b>3,294</b>	843
Interest on lease liabilities	<b>541</b>	272
	<u>          </u>	<u>          </u>
	<b>16,079</b>	13,449
	<u><u>          </u></u>	<u><u>          </u></u>

**8. INCOME TAX EXPENSE (CREDIT)**

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax		
Current year	–	–
Overprovision in prior years	–	(95)
People’s Republic of China (the “PRC”)		
Enterprise Income Tax		
Current year	–	–
Underprovision in prior years	–	607
	<u>          </u>	<u>          </u>
	–	512
Deferred tax expense (credit)	<b>6,142</b>	(6,853)
	<u>          </u>	<u>          </u>
Income tax expense (credit)	<b>6,142</b>	(6,341)
	<u><u>          </u></u>	<u><u>          </u></u>

## 9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Employee benefit expense (including directors' remunerations):		
Wages and salaries	124,333	99,604
Other employee benefits	2,140	1,026
Contributions to defined contribution retirement plans	10,409	7,587
	<u>136,882</u>	<u>108,217</u>
Auditors' remuneration	1,833	1,311
Cost of inventories recognised as an expense (included in cost of sales)	661,222	345,001
Idle capacity costs (included in other operating expenses)	–	23,561
Depreciation of property, plant and equipment	12,678	11,149
Depreciation of right-of-use assets	5,206	3,731
Impairment loss on property, plant and equipment	30,704	–
Impairment loss on right-of-use assets	3,140	–
Write down of inventories, net (included in cost of sales)	26,091	1,929
Short-term lease charges in respect of land and buildings	1,063	1,470
Provision for litigation (included in other operating expenses)	14,515	–
Professional fee (included in other operating expenses)	4,778	4,797

## 10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

## 11. 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>2021</b> <i>HK\$'000</i>	2020 <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><u>(136,015)</u></u>	<u><u>(95,779)</u></u>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u><u>3,661,865</u></u>	<u><u>3,661,865</u></u>

No diluted loss per share for both years was presented as there were no potential ordinary shares in issue.

## 12. LOAN RECEIVABLES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fixed-rate loan receivables	<b>17,223</b>	17,124
Less: provision of ECL	<u>(17,223)</u>	<u>(15,337)</u>
	<u><u>–</u></u>	<u><u>1,787</u></u>
Analysed as		
Current	<u><u>–</u></u>	<u><u>1,787</u></u>

### 13. INVENTORIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials	21,163	27,672
Work in progress	57,216	51,920
Finished goods	35,485	13,768
	<u>113,864</u>	<u>93,360</u>

### 14. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables, gross	146,790	58,951
Less: provision of ECL	(12,628)	(3,175)
Trade receivables, net	<u>134,162</u>	<u>55,776</u>

At as 31 December 2021, the gross carrying amount of trade receivables arising from contracts with customers amounted to approximately HK\$146,790,000 (2020: HK\$58,951,000).

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	85,010	39,044
31 to 90 days	48,239	15,848
Over 90 days	913	884
	<u>134,162</u>	<u>55,776</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.

## 15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Prepayments	7,532	3,032
Value-added tax recoverable arising from toys segment	4,205	2,621
Rental deposits	1,135	1,066
Loan interest receivables	–	217
Others	3,040	3,158
	<u>15,912</u>	<u>10,094</u>
Analysed as		
Non-current	309	–
Current	15,603	10,094
	<u>15,912</u>	<u>10,094</u>

## 16. ASSETS CLASSIFIED AS HELD FOR SALE

On 15 November 2021, the Company, Billion Pride Group Limited, a direct wholly-owned subsidiary of the Company, being the vendor (the “**Vendor**”) and an independent third party, being the purchaser (the “**Purchaser**”) entered into a sale and purchase agreement (the “**Disposal Agreement**”), pursuant to which, the Vendor agreed to sell, and the Purchaser agreed to acquire all the issued shares of Bright Triumph Development Limited (“**Bright Triumph**”, together with its subsidiaries, the “**Target Group**”) and the current account between the Target Group and the Vendor in an aggregate amount of approximately HK\$134,429,000, at a consideration of HK\$49,000,000. A deposit of HK\$28,492,000 (representing 60% of the consideration, amounted to HK\$29,400,000, with HK\$908,000 being outstanding from the Purchaser) was received and included in “Other payables and accruals”.

The major asset being disposed is investment property situated in Suzhou in the PRC. The assets and liabilities attributable to Billion Triumph, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of Bright Triumph classified as held for sale as at 31 December 2021 are as follow:

	<b>As at 31 December 2021 HK\$'000</b>
Property, plants and equipment	1,693
Investment property	49,535
Prepayments and other receivables	1,047
Bank balances and cash	1,172
	<hr/>
Total assets classified as held for sale	53,447
	<hr/> <hr/>
Other payables and accruals	5,380
	<hr/>
Total liabilities classified as held for sale	5,380
	<hr/> <hr/>

#### 17. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice dates.

	<b>2021 HK\$'000</b>	2020 HK\$'000
0 to 30 days	138,740	77,107
31 to 90 days	49,627	30,873
Over 90 days	65,986	32,610
	<hr/>	<hr/>
	<b>254,353</b>	140,590
	<hr/> <hr/>	<hr/> <hr/>

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

#### 18. OTHER PAYABLES AND ACCRUALS

	<b>2021 HK\$'000</b>	2020 HK\$'000
Bills payables for purchasing raw materials	3,967	11,544
Accrued staff costs	15,648	10,694
Accruals	10,691	10,069
Other payables	3,866	3,836
Provision for litigation	14,515	–
Deposits received for disposal of a subsidiaries	33,832	5,188
Tenant deposits received	866	798
	<hr/>	<hr/>
	<b>83,385</b>	42,129
	<hr/> <hr/>	<hr/> <hr/>

## 19. BORROWINGS

	2021		2020	
	<i>Contractual interest rate (%)</i>	<i>HK\$'000</i>	<i>Contractual interest rate (%)</i>	<i>HK\$'000</i>
Bank loans – secured	<b>Fixed rates of 3.10% to 5.00% per annum</b>	<b>167,567</b>	Fixed rates of 3.60% to 5.22% per annum	156,906
Corporate bonds – secured	<b>Fixed rate of 6.75% per annum</b>	<b>45,000</b>	Fixed rate of 6.75% per annum	45,000
Term loan – secured	<b>Fixed rate of 12.00% per annum</b>	<b>17,000</b>	Fixed rate of 12.00% per annum	11,000
– secured	<b>Fixed rate of 12.00% per annum</b>	<b>15,000</b>	–	–
Sub-total of secured borrowings		<b><u>244,567</u></b>		<b><u>212,906</u></b>
Revolving loans – unsecured	<b>Fixed rate of 12.00% per annum</b>	–	Fixed rate of 12.00% per annum	20,000
– unsecured	<b>Fixed rate of 12.00% per annum</b>	<b>19,000</b>	–	–
		<b><u>263,567</u></b>		<b><u>232,906</u></b>

The above loans are measured at amortised costs.

## 20. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest in Excellent Harvest International Corporation (“**Excellent Harvest**”), incorporated in the British Virgin Islands (the “**BVI**”) and indirectly holding 60% equity interest in a company established in the PRC which is principally engaged in preclinical research studies of genetically engineered bacteria for targeted cancer therapy, at a cash consideration of HK\$8,000,000. The disposal was completed on 26 June 2020, on which date the Group lost control of the Excellent Harvest. On 19 June 2020, the Group disposed of Amazing Express Worldwide Limited (“**Amazing Express**”), which is incorporated in the BVI, at a consideration of HK\$45,000.

The net liabilities of the subsidiaries at the date of disposal were as follows:

	<b>Excellent Harvest</b> <i>HK\$'000</i>	<b>Amazing Express</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Bank balances and cash	124	9	133
Shareholders' loans	(11,140)	(1,645)	(12,785)
Other payables and accruals	(745)	–	(745)
	<u>          </u>	<u>          </u>	<u>          </u>
Net liabilities disposed of	(11,761)	(1,636)	(13,397)
Cumulative exchange difference	(79)	–	(79)
Assignment of shareholders' loans	11,140	1,645	12,785
Settlement of accruals	745	–	745
Gain on disposal	7,955	36	7,991
	<u>          </u>	<u>          </u>	<u>          </u>
Total cash consideration	<b><u>8,000</u></b>	<b><u>45</u></b>	<b><u>8,045</u></b>
Net cash inflow (outflow) arising on disposal:			
Cash consideration received	8,000	45	8,045
Less: Bank balances and cash disposed of	(124)	(9)	(133)
	<u>          </u>	<u>          </u>	<u>          </u>
	<b><u>7,876</u></b>	<b><u>36</u></b>	<b><u>7,912</u></b>

## 21. EVENTS AFTER END OF THE REPORTING PERIOD

Subsequent to 31 December 2021 and up to the date of this report, the following events took place:

- (a) On 21 March 2022, Billion Pride Group Limited, a wholly-owned subsidiary of the Company, being the vendor (the “**Haikou Vendor**”), and an independent third party, being the purchaser (the “**Haikou Purchaser**”), entered into a disposal agreement, pursuant to which, the Haikou Vendor agreed to sell and the Haikou Purchaser agreed to acquire, 60% of the total issued share capital of, and 60% of the shareholder’s loan owed by Enormous Fortune Business Limited to the Haikou Vendor, at the cash consideration of HK\$15,000,000. The major asset being disposed is the investment property situated in Haikou in the PRC;
- (b) Following the Company’s announcement on 24 August 2021 in relation to the receipt of summons, where the First Defendant and a wholly owned subsidiary of the Company became the two defendants to refund a deposit of RMB20,000,000 paid by the plaintiff. In March 2022, the court has made a verdict that the First Defendant is liable to repay the RMB24,074,000 (equivalent to approximately HK\$29,029,000), and should the First Defendant is unable to repay such amount, the Group will need to repay half of the payment (i.e. HK\$14,515,000).

Although both the First Defendant and the Group are appealing this case, the Group has made a provision for potential loss of HK\$14,515,000 during the year ended 31 December 2021 for this legal case based on the verdict, should the appeal is not successful in future or the First Defendant is unable to pay the plaintiff the repayment.

- (c) Following the Company’s announcement on 24 September 2021 in relation to the entering into of the subscription agreement (the “**Subscription Agreement**”) and the proposed issue of convertible bonds, where an independent third party (the “**Subscriber**”) has conditionally agreed to subscribe for; and the Company has conditionally agreed to issue the convertible bonds in the principal amount of HK\$73,000,000 at a conversion price of HK\$0.1 per conversion share. Following the Company’s announcement on 31 March 2022, the Company and the Subscriber have decided not to proceed with this subscription and the proposed issue of convertible bonds, accordingly the Company and the Subscriber entered into of a deed of termination (the “**Deed of Termination**”) pursuant to which the parties to the subscription agreed that the Subscription Agreement shall be terminated and shall cease to be binding upon the parties thereto with effect from the date of the Deed of Termination and the parties thereto mutually release and discharge each other from all obligations, duties, responsibilities, claims and liabilities whatsoever of whatever nature owed to any other party (if any) arising out of or in connection with the Subscription Agreement.

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT**

The following is an extract of the Independent auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2021.

### **“Disclaimer of Opinion**

We were engaged to audit the consolidated financial statements of Winshine Science Company Limited (“**the Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 47 to 151, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 3.1 to the consolidated financial statements, as at 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK\$232,439,000 and HK\$98,942,000, respectively, and incurred a net loss of approximately HK\$136,015,000 and recorded an operating cash outflow of approximately HK\$15,164,000 during the year ended 31 December 2021, and the Group’s bank balances and cash and pledged bank deposits amounted to approximately HK\$66,634,000 and HK\$1,190,000 respectively, in contrast to its borrowings and bill payables of approximately HK\$263,567,000 and HK\$3,967,000 respectively, 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 above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures as set out in note 3.1 to the consolidated financial statements, which are subject to uncertainties. As of the date of our report, we were unable to obtain sufficient appropriate evidence from management for their underlying assumptions on going concern as set out in note 3.1 to the consolidated financial statements, including (i) the successful negotiations with the

lenders for the further renewal of or extension for repayment of those outstanding borrowings, which will be matured after twelve months from the end of the reporting period; (ii) the successful cost-saving measures to improve operating cash flows of the Group; (iii) the successful realisation of certain investment properties held by the Group and (iv) the successful obtaining of additional new sources of financing as and when needed. Hence we were unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 3.1 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, including but not limited to property, plant and equipment with carrying amount of HK\$106,673,000, right-of-use assets with carrying amount of HK\$14,190,000 and investment properties with carrying amount of HK\$44,276,000, 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.”

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINAL DIVIDEND**

The Board does not recommend the payment of final dividend in respect of the year ended 31 December 2021 (“**FY2021**”) (2020: 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 securities investments (the “**Securities Investments Division**”).

For FY2021, the Group recorded revenue of approximately HK\$724.6 million, representing an increase of approximately 98.9% as compared to the revenue of approximately HK\$364.3 million for the year ended 31 December 2020 (“**FY2020**”).

The increase was mainly due to the improved performance of our Toys Division of approximately HK\$360.3 million. Gross profit for the year amounted to approximately HK\$37.3 million, representing an increase of approximately 101.2% as compared with that of approximately HK\$18.5 million in FY2020 as a result of improvements in the performance of the Toys Division.

For FY2021, the net loss of the Group amounted to approximately HK\$136.0 million as compared with approximately HK\$95.8 million in FY2020. The increase in net loss of the Group was mainly due to the decrease in fair value of investment properties, increase in administrative expenses and increase in impairment loss on property, plant and equipment, and partly offset by increase in the gross profit of the Group as mentioned above.

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

### **Toys Division**

For FY2021, revenue of the Toys Division increased by approximately 98.9% to HK\$724.6 million. The gross profit increased to approximately HK\$37.3 million as compare to HK\$18.5 million in FY2020. The increase in both revenue and gross profit of the Toys Division were mainly due to the Toys Division resumed full operation in FY2021, as compared to the temporary suspension during the first quarter of FY2020. The Toys Division recorded a reported segment loss before taxation of approximately HK\$69.1 million in FY2021, as compared to the reportable segment loss of approximately HK\$61.6 million in FY2020. Such reported segment loss before taxation of the Toys Division were mainly due to net foreign exchange loss, impairment loss on property, plant and equipment and written down of inventories attributable to the Toys Division.

### **Securities Investments Division**

During FY2021, the Hong Kong stock market continued to experience fluctuation. The Heng Sang Index points rose to over 30,000 points but also drop below 25,000 points. The Group adopted a conservative strategy in managing its investment portfolio during the period. The securities investments division recorded a profit of HK\$93,000 in disposal all the securities hold by the Group in FY2021.

The Group has no longer hold any securities since 30 June 2021 and up to 31 December 2021, and the Group did not receive any dividend income in FY2021.

## **FINANCIAL REVIEW**

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

Due to the classification of the Group's borrowing as current liability discussed immediately below, at the end of FY 2021, the Group had net current liabilities of approximately HK\$232.4 million (2020: HK\$200.2 million) comprising cash and cash equivalents (excluding pledged bank deposits) of approximately HK\$66.6 million (2020: HK\$56.1 million).

The capital deficiencies attributable to owners of the Company amounted to approximately HK\$98.9 million as at 31 December 2021, as compared to the equity attributable to owners of the Company of approximately HK\$37.9 million as at 31 December 2020, mainly as a result of the 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, 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 2021 was approximately 123% (2020: 90%).

Despite the loss incurred by the Group and the net liabilities status at the end of FY2021, the Group has obtained loan extensions and disposed a subsidiary of the Company at a consideration of HK\$15,000,000, details of which are set out in the paragraph headed "Subsequent Event" below. 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.

#### **SUBSEQUENT EVENT**

On 21 March 2022, Billion Pride Group Limited, a wholly-owned subsidiary of the Company, being the vendor (the "**Hainan Vendor**"), and an independent third party, being the purchaser (the "**Hainan Purchaser**"), entered into a disposal agreement, pursuant to which, the Hainan Vendor agreed to sell and the Hainan Purchaser agreed to acquire, 60% of the total issued share capital of, and 60% of the shareholder's loan owed by Enormous Fortune Business Limited to the Hainan Vendor, at the cash consideration of HK\$15,000,000. The major asset being disposed is the investment property situated in Hainan in the PRC.

Following the Company's announcement on 24 August 2021 in relation to the receipt of summons, where the First Defendant and a wholly owned subsidiary of the Company became the two defendants to refund a deposit of RMB20,000,000 paid by the plaintiff. In March 2022, the court has made a verdict that the First Defendant is liable to repay the RMB24,074,000 (equivalent to approximately HK\$29,029,000), and should the First Defendant is unable to repay such amount, the Group will need to repay half of the payment (i.e. HK\$14,515,000). Although both the First Defendant and the Group are appealing this case, the Group has made a provision for potential loss of HK\$14,515,000 during the year ended 31 December 2021 for this legal case, should the appeal is not successful in future or the First Defendant is unable to pay the plaintiff the repayment.

Save as above, subsequent to 31 December 2021 and up to the date of this announcement, the Board is not aware of any significant event affecting the Group and requiring disclosure.

## **PROSPECTS**

Due to the COVID-19, the Toys Division experienced tremendous pressure on product margins and turnover in FY2020 and has already managed to restart its operation after a closed down period due to COVID-19. The Toys Division is expected to continue to perform satisfactorily.

Starting in 2021, the Board is looking for different business opportunities to diversify our principal business activities and moving toward more profitable businesses. Cost cutting measures within the Group were put in place to reduce operating costs. The Board has also decided to give the Company a better financial position to meet the future challenges.

On 6 June 2021, the Group entered into the operation management agreement (the “**Agreement**”) with Cangshan County Huakai Vegetables Sales Co., Ltd.\* (蘭陵縣華凱農產品有限公司), a company incorporated in the PRC with limited liability and an independent third party to the Company (the “**PRC Partner**”), pursuant to which, among others, the PRC Partner shall grant the Group the management and operation rights of the brand “Cangshan Vegetables (蒼山蔬菜)”, and the management and operation rights of the equipment and facilities of the Lanling Agricultural Products Wholesale Market from the PRC Partner, for a term of five (5) years at an annual fee of RMB2 million.

The Board believes that the Agreement is in line with the investment strategy of the Company and that it is beneficial for the Group to diversify the investment portfolio so as to enhance the potential return of investment of the Group in the long run.

During the second half of FY2021, the Group has entered into lease agreement several tenants in relation to the facilities of the Lanling Agricultural Products Wholesale Market with an occupancy rate of approximately 21%. The Group shall monitor the occupancy at the same time optimizing the revenue from the Agricultural Division.

Looking forward, we are cautiously optimistic as our Toys Division continues to perform in the marketplace and the Board shall continue to explore new business opportunity on a much lower management cost.

## **CORPORATE GOVERNANCE**

During FY2021, 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 2021, the Group employed 2,468 employees (2020: 1,800) with staff costs amounted to approximately HK\$136.2 million (2020: approximately HK\$108.2 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.

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

During FY2021, 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 FY2021 have been reviewed by the Audit Committee of the Company. The consolidated financial statements of the Group for FY2021 have been audited by the Company's auditor, Moore Stephens CPA Limited (the "Auditors"). The financial information set out in this announcement represents an extract from these consolidated financial statements.

## MATERIAL DIFFERENCES BETWEEN THE UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Annual Results Announcement was neither audited nor agreed with the Company's auditors as at the date of the publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to the differences between financial information of the unaudited annual results and audited annual results for the year ended 31 December 2021. In this regard, the Company hereby sets forth details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

### Consolidated Statement of Profit or Loss

*For the ended 31 December 2021*

		<b>Audited annual results as disclosed in this announcement</b>	<b>Disclosure in the Unaudited Annual Results Announcement</b>	<b>Difference</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		<b>724,627</b>	724,627	–
Cost of sales	(a)	<b>(687,370)</b>	(669,511)	(17,859)
Gross profit		<b>37,257</b>	55,116	(17,859)
Other income, gains and losses	(b)	<b>(10,475)</b>	(15,878)	5,403
Provision of expected credit loss for loan receivables		<b>(1,886)</b>	(1,886)	–
Provision of expected credit loss for loan interest receivables		<b>(217)</b>	(217)	–

		<b>Audited annual results as disclosed in this announcement</b>	<b>Disclosure in the Unaudited Annual Results Announcement</b>	<b>Difference</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of expected credit loss for trade receivables	<i>(c)</i>	<b>(9,453)</b>	(4,687)	(4,766)
Impairment loss on property, plant and equipment	<i>(d)</i>	<b>(30,704)</b>	–	(30,704)
Impairment loss on right-of-use assets	<i>(e)</i>	<b>(3,140)</b>	–	(3,140)
Selling and distribution costs		<b>(5,710)</b>	(5,590)	(120)
Administrative expenses		<b>(66,966)</b>	(65,042)	(1,924)
Changes in fair value of financial assets at fair value through profit or loss		<b>100</b>	100	–
Other operating expenses		<b>(22,600)</b>	(21,300)	(1,300)
Finance costs		<b>(16,079)</b>	(16,200)	121
Loss before tax		<b>(129,873)</b>	(75,584)	(54,289)
Income tax (expenses) credit	<i>(f)</i>	<b>(6,142)</b>	486	(6,628)
Loss for the year		<b><u>(136,015)</u></b>	<b><u>(75,098)</u></b>	(60,917)

## Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	Audited annual results as disclosed in this announcement HK\$'000	Disclosure in the Unaudited Annual Results Announcement HK\$'000	Difference HK\$'000
Non-current assets				
Property, plant and equipment	(d)	106,673	136,483	(29,810)
Right-of-use assets	(e)	14,190	17,331	(3,141)
Investment properties	(b)	44,276	39,139	5,137
Rental deposit	(f)	309	–	309
Deferred tax assets		–	7,517	(7,517)
Current assets				
Inventories	(a)	113,864	132,585	(18,721)
Trade receivables	(c)	134,162	138,928	(4,766)
Loan receivables		–	–	–
Prepayments, deposits and other receivables		15,603	15,801	(198)
Pledged bank deposits		1,190	–	1,190
Bank balances and cash		66,634	67,825	(1,191)
Assets classified as held for sale		53,447	49,231	4,216
Current liabilities				
Trade payables		254,353	254,353	–
Other payables and accruals	(g)	83,385	68,870	14,515
Contract liabilities		2,954	2,954	–
Borrowings		263,567	263,567	–
Lease liabilities		4,769	4,769	–
Tax payables		2,931	3,801	(870)
Liabilities associated with assets classified as held for sale		5,380	–	5,380
Net current liabilities		(232,439)	(193,944)	(38,495)
Total assets less current liabilities		(66,991)	6,526	(73,517)
Non-current liabilities				
Lease liabilities		8,285	8,285	–
Deferred tax liabilities		23,666	25,642	(1,976)
Net liabilities		(98,942)	(27,401)	(71,541)

	<i>Notes</i>	<b>Audited annual results as disclosed in this announcement HK\$'000</b>	<b>Disclosure in the Unaudited Annual Results Announcement HK\$'000</b>	<b>Difference HK\$'000</b>
Capital and reserves				
Share capital		<b>366,186</b>	366,186	–
Deficit		<b>(465,128)</b>	(393,587)	(71,541)
Capital deficiencies		<b>(98,942)</b>	(27,401)	(71,541)

Note:

- (a) The difference was due to the further write down of inventories.
- (b) The difference was due to the changes in fair value on investment properties.
- (c) The difference was due to the expected credit losses with respect to the trade receivables.
- (d) The difference was due to the provision of impairment in relation to the net carrying values of property, plant and equipment and reclassification from administrative expenses.
- (e) The difference was due to the provision of impairment in relation Right-of-use assets.
- (f) The difference was due to the derecognition of deferred tax assets.
- (g) The difference was due to the provision of litigation.

### **SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2021 as set out in this announcement have been agreed by the Auditors, to the amounts set out in the Group's audited consolidated financial statements for FY2021. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditors on this announcement.

### **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting of the Company will be held on 24 June 2022 and the notice of annual general meeting will be published and despatched in accordance with the requirements under the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 20 June 2022 to 24 June 2022 (both days inclusive), during which no transfer of shares will be registered. In order to be entitled to attend the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 17 June 2022.

## **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**  
**Zhao Deyong**  
*Chairman*

Hong Kong, 13 May 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*