

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



WINSHINE SCIENCE COMPANY LIMITED

瀛晟科學有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 209)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the annual results announcement (the “**2021 Results Announcement**”) and the annual report (the “**2021 Annual Report**”) of Winshine Science Company Limited (the “**Company**”, which together with its subsidiaries are collectively referred to as the “**Group**”) for the year ended 31 December 2021 (“**FY2021**”). Unless the context otherwise defined, capitalised terms used herein shall have the same meanings as defined in the 2021 Results Announcement and the 2021 Annual Report.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide the following additional information on the disclaimer of opinion (the “**Disclaimer**”) expressed by the Company’s auditors (the “**Auditors**”) for the financial statements for the FY2021 as disclosed in the 2021 Results Announcement and the 2021 Annual Report and to supplement the corporate governance report of the Company set out on page 35 to page 43 of the 2021 Annual Report.

Disclaimer of Opinion

As disclosed in note 3.1 to the consolidated financial statements in the 2021 Annual Report, for the FY2021, 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 position, the directors of the Company have been implementing various measures as disclosed in note 3.1 to the consolidated financial statements in the 2021 Annual Report (the "**Measures**"), namely, extending the repayment terms and the expiry dates of the Group's existing borrowings and banking facilities respectively by entering in extension agreements with the respective lenders, implementing and maintaining cost-saving measures to control the operating costs and administrative costs of the Group in order to improve the cash flows of the Group and finance its working capital requirements, closely reviewing the investment portfolio of the Group and actively seeking divestment opportunities which would allow the Group to optimise the returns from its investments and seeking alternative financing arrangements on fair and reasonable terms in the interests of the Company and its shareholders as a whole.

As set out in note 2 and note 3.1 to the consolidated financial statements in the 2021 Results Announcement and the 2021 Annual Report respectively (the "**Notes**"), the Measures were implemented by the management of the Group to mitigate the Group's liquidity pressure and to improve the conditions of cash flow. In the Disclaimer, the Auditors expressed that they had not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements of the Company for the FY2021. To the best of the knowledge, information and belief of the Directors, and based on their understanding from discussion with the Auditors, the Auditors were of the view that there was still material uncertainty regarding the outstanding liabilities and liquidity position of the Group despite the provision of all available documents and information by the Company as requested as the Auditors were unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements solely based on the documents provided by the Company.

In view of the Disclaimer, the management of the Group (including the Directors) (the "**Management**") has given careful consideration to 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 such Measures thus far (including the successful extension of the maturity of all the outstanding borrowings of the Group as set out in the Notes to 2023), the Management believes that the Group should have sufficient working capital for a period of not less than 12 months from 31 December 2021, 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 Disclaimer, 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, the status of the coronavirus-2019 pandemic and the consequential lockdown and social distancing restrictions and measures and its future impact on the business operations of the Group including supply chain management and demand from customers, as well as the above highlighted uncertainties. 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 FY2021, 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.

View of the Audit Committee

The audit committee of the Company (the “**Audit Committee**”) had comprehensively reviewed the Disclaimer, as well as the Management’s position and action plan of the Group to address the Disclaimer 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 regarding thereto. 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, and in particular, the actions or measures already or to be implemented by the Management or the Group.

Removal of the Disclaimer

In order to address the uncertainties which may cast doubt regarding the Group’s ability to continue as a going concern, and with a view to removing the Disclaimer, the Company had taken and intends to continue to implement the Measures as further detailed in the Notes to mitigate the liquidity pressure and to improve its cash flows. In addition, the Company is also considering other fund-raising methods such as equity fund-raising or debt fund-raising exercises, which may be implemented in addition to and/or alternative to the financing arrangement sought under the Measures depending on the needs of the Company and the success of the financing arrangement sought under the Measures (if any), which is in turn dependent on the fulfillment of repayment schedules of the outstanding borrowings and if necessary, the likelihood of success of any liaising and negotiating with the lenders and/or bondholders for further extensions, the effectiveness of the cost-saving measures implemented and the potential of new divestment opportunities and alternative financing arrangements to be sought by the Group. The Company will also continue to actively seek suitable divestment opportunities to realise its investments in idle assets and/or investments with relatively less satisfactory performance. As disclosed above, the status of the coronavirus-2019 pandemic and the consequential lockdown and social distancing restrictions and measures may also place additional strain on the business operations of the Group and the Group will monitor its cash flow and liquidity position diligently on a continuing basis and make necessary strategic decisions as and when appropriate.

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 end of FY2021 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 2022.

This announcement is supplemental to and should be read in conjunction with the 2021 Results Announcement and the 2021 Annual Report. The above information does not affect any other information contained in the 2021 Results Announcement and the 2021 Annual Report, and save as disclosed above, all other information in the 2021 Results Announcement and the 2021 Annual Report remains unchanged.

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

Hong Kong, 13 June 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*