

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)

FURTHER INFORMATION IN RELATION TO THE DELAY IN PUBLICATION OF THE 2018 ANNUAL RESULTS

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Winshine Science Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 28 March 2019 and 16 April 2019 in relation to, among other things, (i) the delay in publication of the annual results of the Group for the year ended 31 December 2018 (the “**2018 Annual Results**”); (ii) postponement of Board meeting; and (iii) suspension of trading in the shares (the “**Shares**”) of the Company on the Stock Exchange with effect from 9:00 a.m. on 1 April 2019 (collectively, the “**Announcements**”). Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Announcements.

FURTHER INFORMATION ON THE REASONS OF THE DELAY IN PUBLICATION OF THE 2018 ANNUAL RESULTS

It is set out in the Announcements that the Company required additional time to provide the required information to the former auditors of the Group (the “**Former Auditors**”), to perform the audit work in respect of the financial information of the Group for the year ended 31 December 2018. Details of the audit issues in this regard and the Company’s resolutions thereto are as follows:

1. Disposal of 100% equity interest in Bright Triumph Development Limited (“Bright Triumph”)

References are made to the circular of the Company dated 31 May 2018 (the “**Circular**”) and the announcements of the Company dated 28 December 2017, 30 January 2018, 28 February 2018, 29 March 2018, 30 April 2018, 31 May 2018, 26 June 2018 and 23 April 2019 in relation to, among other things, the disposal of 100% equity interest in Bright Triumph which constituted a major transaction of the Company.

As stated in the Circular, Billion Pride Group Limited (“**Billion Pride**”), a wholly-owned subsidiary of the Company, as the vendor and Nanjing Sanyou Real Estate Company Limited* (南京三友置業有限公司) (“**Nanjing Sanyou**”) as the purchaser entered into an agreement for sale and purchase dated 28 December 2017 (the “**Agreement for Sale and Purchase**”), pursuant to which Billion Pride conditionally agreed to sell and Nanjing Sanyou conditionally agreed to purchase the entire issued share capital of Bright Triumph (the “**Disposal**”) for a consideration of HK\$142 million.

The outstanding audit issues

The Former Auditors’ concern regarding the accounting treatment of the Disposal included but not limited to (i) whether Bright Triumph and its subsidiaries would cease to be subsidiaries of the Company for the year ended 31 December 2018; and (ii) whether the financial results of Bright Triumph and its subsidiaries would cease to be consolidated into the financial statements of the Company for the year ended 31 December 2018 (the “**Financial Statements**”).

Actions taken by the Company

As disclosed in the announcement of the Company dated 23 April 2019, Billion Pride and Nanjing Sanyou entered into a termination agreement on 23 April 2019 (after trading hours of the Stock Exchange) to terminate the Agreement for Sale and Purchase.

Upon termination of the Agreement for Sale and Purchase, the Board considers that Bright Triumph and its subsidiaries continue to remain as subsidiaries of the Company and that the financial results of Bright Triumph and its subsidiaries are to be consolidated into the Financial Statements.

2. Use of going concern basis underlying the preparation of the Financial Statements

The revolving loan from U Credit (HK) Limited (“U Credit”)

On 25 September 2015, U Credit, a company incorporated in Hong Kong with limited liability and a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), conditionally agreed to grant to the Company a revolving loan facility in the amount of HK\$50 million (the “**Revolving Loan Facility**”) with a maturity date of 26 September 2018.

The corporate bonds issued to Ace Honor Enterprises Limited (“Ace Honor”)

On 6 December 2016, the Company conditionally agreed to issue and Ace Honor, a company incorporated in the British Virgin Islands with limited liability, conditionally agreed to subscribe for corporate bonds in the aggregate sum of HK\$45 million (the “**Corporate Bonds**”), carrying interest of 6% per annum, due on the second anniversary of their issue date pursuant to the terms and conditions of the subscription agreement entered into between the Company and Ace Honor.

The outstanding audit issues

The Former Auditors considered the maturity date of the Corporate Bonds and the Revolving Loan Facility to be factors affecting the use of going concern basis underlying the preparation of the Financial Statements.

Actions taken by the Company

As the Company is not in a position to repay the Revolving Loan Facility and the Corporate Bonds due for redemption, the Company is negotiating with U Credit and Ace Honor to further extend the maturity date of the Revolving Loan Facility and the Corporate Bonds. As of the date of this announcement, the Company has been working on the final terms of the extension of the Revolving Loan Facility and the Corporate Bonds and the Board expects a final conclusion on the extension by the end of June 2019.

3. **Direct confirmation received by the Former Auditors from a debtor of the Group**

As disclosed in the announcement of the Company dated 6 May 2019, the Former Auditors received a direct confirmation from a debtor of the Group during the course of their audit which indicated that the confirmed balances/transactions (the “**Transactions**”) appear to have involved arrangements with certain former Directors that were not reflected in the books and records of a wholly-owned subsidiary of the Group.

The outstanding audit issues

The Former Auditors informed the Board that they were unable to continue with their audit work of the Financial Statements unless and until a full explanation and appropriate audit evidence regarding the Transactions were provided to them.

Actions taken by the Company

A special investigation committee (the “**Special Investigation Committee**”), initially comprising Mr. Liu Michael Xiao Ming, an executive Director and the chief executive officer of the Company, Mr. Kwok Kim Hung Eddie, an independent non-executive Director, and Mr. Ng Wai Hung, an independent non-executive Director, has been established on 18 May 2019 for the purpose of, including but not limited to, investigating and reporting on various matters and events relating to the Transactions, and recommending remedial actions to the Company. Mr. Kwok Kim Hung Eddie has been appointed as the chairman of the Special Investigation Committee.

On 5 June 2019, the Board engaged FTI Consulting (Hong Kong) Limited (“**FTI Consulting**”) to perform an independent forensic investigation (the “**Independent Investigation**”) into the Transactions. On 11 June 2019, the Board engaged an internal control consulting firm (the “**Internal Control Adviser**”) to conduct an internal control review (the “**Internal Control Review**”) of the Company and selected subsidiaries of the Company.

As at the date of this announcement, both the Independent Investigation and the Internal Control Review are still in progress. FTI Consulting has informed the Board that a draft report of the Independent Investigation should be available by end of August. The Internal Control Adviser has also informed the Board that a draft report of the results of the Internal Control Review should be available by end of August.

The Board appreciates that it is important to complete the Independent Investigation and the Internal Control Review as soon as practicable. The Board will monitor and assess the progress of the Independent Investigation and the Internal Control Review and the Company will issue further announcement(s) as and when appropriate.

4. Advancement of funds

During the period from April 2018 to July 2018, a wholly-owned subsidiary of the Company advanced loans of approximately RMB7.04 million (the “**Loans**”) to several entities outside the Group. Based on facts known to the Board as at the date of this announcement and without the benefit of an investigation under the oversight of the Special Investigation Committee or input from independent professional advisers, the Board suspects that the Loans may have been granted without proper authorisation. As at the date of this announcement, approximately RMB5.68 million of the Loans had been received in full.

The outstanding audit issues

The Former Auditors considered that the recoverability and purposes of the Loans to be factors affecting their audit work of the Financial Statements.

Actions taken by the Company

The Board has instructed FTI Consulting to include the Loans within the scope of the Independent Investigation. The Internal Control Adviser will also include a review on how to improve the internal control systems and procedures of the Group to prevent similar incidents from happening again in their Internal Control Review.

The Board’s current assessment is that the Loans will not have a material adverse effect on the Group’s day to day operations, cash flow, financial position and business operations. The Board will continue to evaluate the impact of the Loans to the cash flow, financial position and business operations of the Group, and the Company will make further announcement(s) as and when appropriate. The Board, based on the reports issued by FTI Consulting, will determine whether to proceed to take appropriate actions against the people responsible for the Loan.

FURTHER DELAY IN PUBLICATION OF THE 2018 ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Pursuant to Rules 13.49(1) and 13.46(1) of the Listing Rules, the Company is required to publish the 2018 Annual Results on or before 31 March 2019 and despatch the 2018 Annual Report to the Shareholders on or before 30 April 2019.

Rule 13.49(3)(i)(c) of the Listing Rules provides that where an issuer is unable to make an announcement of its preliminary results, it must announce its results based on the financial results which have yet to be agreed with the auditors (so far as the information is available). The Board has decided, after due and careful consideration, that it would not be appropriate for the Company to publish the unaudited consolidated management accounts of the Group for the year ended 31 December 2018 (the “**2018 Unaudited Consolidated Management Accounts**”) at this time as it is expected that there may be significant adjustment on the 2018 Unaudited Consolidated Management Accounts and hence may not accurately reflect the financial performance and position of the Group. The Board considers that the publication of the 2018 Unaudited Consolidated Management Accounts at this time would be misleading and confusing to the Shareholders and potential investors of the Company.

The Board acknowledges that the delay in the publication of the 2018 Annual Results and the 2018 Annual Report will constitute non-compliances under Rules 13.49(1) and 13.46(1).

The Company has been informed by the auditors of the Group that as additional time is required for them to perform and complete their audit work in respect of the 2018 Annual Results (including but not limited to the review of the results of the Independent Investigation and the Internal Control Review), the publication of the 2018 Annual Results and the 2018 Annual Report will be further delayed.

The Company is working closely with the auditors of the Group to assist them in completing the audit work as soon as possible. In view of the latest audit status and taking into account the aforementioned audit issues, after discussion with the auditors of the Group, the Board expects the audit procedures and finalisation of the audit opinions for the Financial Statements to be completed around the end of August 2019.

Subject to any adverse changes or other findings identified by the auditors of the Group, FTI Consulting and the Internal Control Adviser, the Board expects the 2018 Annual Results to be finalised and published around the end of August 2019. The Board also expects to publish the 2018 Annual Report within approximately one month from the publication the 2018 Annual Results.

The Company will publish further announcement(s) to inform the Shareholders and potential investors of the Company of the date of the Board meeting to approve the 2018 Annual Results and the 2018 Annual Report as and when appropriate. The Company will also inform the market of all material information for the Shareholders and potential investors of the Company to appraise the Company's position as and where appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 1 April 2019 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 19 June 2019

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Zhao Deyong (Chairman), Mr. Liu Michael Xiao Ming (Chief Executive Officer) and Mr. Luo Lianjun; 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 Ms. Shi Xiaolei.

* *For identification purpose only*