



Evershine Group Holdings Limited
永耀集團控股有限公司

(Incorporated in Hong Kong with limited liability)
Stock Code : 8022

FIRST
QUARTERLY REPORT
2017



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HIGHLIGHTS

- The Group achieved revenue of approximately HK\$12,020,000 (continuing operation: approximately HK\$6,532,000 and discontinued operation: approximately HK\$5,488,000) for the three months ended 31 March 2017 (2016: approximately HK\$29,403,000, continuing operation: approximately HK\$19,994,000 and discontinued operation: approximately HK\$9,409,000 (re-presented)), representing a decrease of approximately 59% as compared to the corresponding period in 2016.
- The loss for the period of the company was approximately HK\$14,903,000 for the three months ended 31 March 2017 (2016: approximately HK\$5,576,000), representing an increase of loss approximately 167% over the corresponding period in 2016.
- Loss from ordinary activities attributable to shareholders of the Company was approximately HK\$14,875,000 for the three months ended 31 March 2017 (loss in 2016: approximately HK\$5,166,000), representing an increase of loss approximately 188% over the corresponding period in 2016.
- Basic loss per share for continuing and discontinued operations for the three months ended 31 March 2017 was approximately HK0.94 cents (basic loss per share in 2016: approximately HK0.39 cents) and loss per share for continuing operation was approximately HK0.92 cents (basic loss per share for continuing operation in 2016: approximately HK0.34 cents (re-presented)).
- The Directors do not recommend the payment of any dividend for the three months ended 31 March 2017 (2016: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

For the three months ended 31 March 2017

The board of Directors (the “Board”) of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2017 together with the unaudited comparative figures for the corresponding period in 2016 (the “Relevant Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Three months ended 31 March	
		2017 HK\$'000	2016 HK\$'000 (Re-presented)
CONTINUING OPERATIONS			
Revenue	2	6,532	19,994
Cost of sales and services		(5,547)	(19,771)
Gross profit		985	223
Other income and gains	2	11	4,329
Share of profit and loss of associates		(371)	–
Operating and administrative expenses		(9,890)	(8,565)
Finance costs	4	(5,346)	(1,025)
LOSS BEFORE TAXATION	5	(14,611)	(5,038)
Taxation	6	–	425
Loss after taxation from continuing operations		(14,611)	(4,613)
DISCONTINUED OPERATIONS			
Loss from discontinued operations		(292)	(963)
LOSS FOR THE PERIOD		(14,903)	(5,576)

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

	Notes	Unaudited Three months ended 31 March	
		2017 HK\$'000	2016 HK\$'000 (Re-presented)
ATTRIBUTABLE TO:			
SHAREHOLDERS OF THE COMPANY			
– From continuing operations		(14,583)	(4,535)
– From discontinued operations		(292)	(631)
		(14,875)	(5,166)
NON-CONTROLLING INTERESTS			
– From continuing operations		(10)	(78)
– From discontinued operations		(18)	(332)
		(28)	(410)
Loss for the period		(14,903)	(5,576)
LOSS PER SHARE			
From continuing and discontinued operations			
– Basic and Diluted	8	(0.94 cents)	(0.39 cents)
From continuing operations			
– Basic and Diluted	8	(0.92 cents)	(0.34 cents)
From discontinued operations			
– Basic and Diluted	8	(0.02 cents)	(0.05 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(14,903)	(5,576)
OTHER COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD, NET OF TAX		
Items that may be reclassified subsequently to profit or loss		
Share of exchange differences of associate	(1,128)	–
Exchange differences on translation of financial statements of overseas subsidiaries	1,778	(1,112)
Other comprehensive income/(expenses) for the period	650	(1,112)
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	(14,253)	(6,688)
Attributable to:		
Shareholders of the Company	(14,242)	(6,281)
Non-controlling interests	(11)	(407)
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	(14,253)	(6,688)



Notes:

1. Basis of preparation and principal accounting policies

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated first quarterly results are consistent with those adopted in the preparation of the annual audited financial statements for the year ended 31 December 2016.

The results of subsidiaries acquired or disposed of during the period are included in the condensed consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances within the Group have been eliminated on consolidation.

The consolidated first quarterly results have not been audited by the Company’s auditor, but have been reviewed by the Company’s audit committee.

2. Revenue, other income and gains

The Group’s revenue comprises trading business, rental income, money lending business, cemetery business and service income from mobile application. On 21 April 2017, the Group has entered into an agreement to dispose the travel agency services business. As a result, the revenue from the provision of travel agency services was included in discontinuing operations for the three months ended 31 March 2017 and its corresponding results were re-presented in discontinuing operations.

2. Revenue, other income and gains (Continued)

Revenue recognised during the Relevant Period is as follows:

	Unaudited	
	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Re-presented)	
Revenue		
Continuing operations		
Trading business	5,692	19,924
Rental income	421	–
Money lending business	253	–
Cemetery business	166	–
Services income from mobile application	–	70
	6,532	19,994
Discontinued operations		
Advertising and marketing services	–	2,106
Travel agency services	5,488	7,303
	5,488	9,409
Total	12,020	29,403
Other income and gains		
Gain on disposal of subsidiaries	–	3,794
Sundry income	9	532
Interest income	2	3
Total	11	4,329

3. Segmental information

The Group's operating activities are carried out in the People's Republic of China (the "PRC"), Hong Kong and the Republic of Turkey.

An analysis of the Group's revenues and results for the Relevant Period by business segments is as follows:

(i) For the three months ended 31 March 2017 (Unaudited)

	Continuing operations					Discontinued operations		Total HK\$'000
	Property development and investment			Cemetery services	Sub-total	Travel agency service	Sub-total	
	Trading HK\$'000	investment HK\$'000	Money lending HK\$'000					
Segment revenue from external customers	5,692	421	253	166	6,532	5,488	12,020	
Segment (loss)/profit	(280)	(759)	63	(1,386)	(2,362)	(292)	(2,654)	
Unallocated corporate income					11	-	11	
Unallocated corporate expense					(8,181)	-	(8,181)	
Finance costs					(4,079)	-	(4,079)	
Loss before taxation					(14,611)	(292)	(14,903)	

(ii) For the three months ended 31 March 2016 (Unaudited) (re-presented)

	Continuing operations				Discontinued operations				Total HK\$'000
	Trading HK\$'000	Cemetery services HK\$'000	Mobile application HK\$'000	Sub-total HK\$'000	Advertising and marketing services HK\$'000	Travel agency service HK\$'000	Sub-total HK\$'000		
								HK\$'000	
Segment revenue from external customers	19,924	-	70	19,994	2,106	7,303	9,409	29,403	
Segment profit/(loss)	55	(806)	(2,437)	(3,188)	(828)	(135)	(963)	(4,151)	
Unallocated corporate income				4,352	-	-	-	4,352	
Unallocated corporate expense				(5,177)	-	-	-	(5,177)	
Finance costs				(1,025)	-	-	-	(1,025)	
Loss before taxation				(5,038)	(828)	(135)	(963)	(6,001)	

4. Finance costs

	Unaudited	
	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Continuing operations		
Interest on convertible notes	1,245	–
Interest on promissory notes	2,833	1,025
Interest on short-term loans	1,268	–
	5,346	1,025

5. Loss before taxation

Loss before taxation from continuing operation has been arrived at after charging:

	Unaudited	
	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Cost of inventories recognised as expense	5,547	19,771
Amortisation of intangible assets	1,231	2,900
Depreciation	428	44
Operating lease charges in respect of property rentals	618	394
Staff costs including directors' emoluments	3,281	2,054

6. Taxation

Taxation represents:

	Unaudited Three months ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Deferred tax	–	425
	–	425

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong during the Relevant Periods. PRC Enterprise Income Tax is computed according to the relevant legislation, interpretations and practices in respect thereof during the Relevant Period. The applicable PRC income tax rate is 25% (2016: 25%).

7. Discontinued operations

Argos Group

On 21 April 2017, the Company as vendor and Ringloma Limited (“Ringloma”) as purchaser entered into an agreement, pursuant to which Ringloma has conditionally agreed to acquire for and the Company has conditionally agreed to dispose of the 100% of the issued share capital of Argos (China) Investment Limited (“Argos”) and all obligations, liabilities and debts owing or incurred by Argos and its subsidiaries to the Group at the consideration of HK\$2,000,000 to be settled by way of setting off a loan amounting to HK\$2,000,000 that the Group previously granted by Ringloma. Upon completion, Argos and its subsidiaries will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the financial results of the Group.

Details were set out in the Company’s announcements dated 21 April 2017 and 8 May 2017.

Creative Star Group

On 30 March 2016, the Company as vendor and Mr. Wong Ka Fai as purchaser entered into of a sale and purchase agreement pursuant to which the Company agreed to sell and Mr. Wong Ka Fai agreed to acquire the Creative Star Group at a cash consideration of HK\$8. With effect from completion of the disposal, the Group will cease to carry on the business of advertising and marketing services.

Details were set out in the Company’s announcement dated 30 March 2016.

8. Loss per share

The calculation of the basic loss per share is based on the loss attributable to shareholders of the Company of HK\$14,875,000 (loss in 2016: HK\$5,166,000) and the weighted average of 1,581,556,245 (2016: 1,317,385,891) shares in issue during the period.

The diluted loss per share for the period is equal to the basic loss per share as the outstanding convertible bonds and share options were anti-dilutive.

9. Capital and reserves (Unaudited)

	Attribution to shareholders of the Company									
	Share Capital	Exchange Reserve	Statutory Reserve	Convertible			Accumulated losses	Total	Non-controlling Interests	Total equity
				note Reserve	Other Reserve	Reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2016	908,401	(13)	53	11,063	44	(711,482)	208,066	8,701	216,767	
Total comprehensive expenses for the period	-	-	-	-	-	(5,166)	(5,166)	(410)	(5,576)	
Exchange difference on translation of financial statement of overseas subsidiaries	-	(1,115)	-	-	-	-	(1,115)	3	(1,112)	
	-	(1,115)	-	-	-	(5,166)	(6,281)	(407)	(6,688)	
Disposal of subsidiaries	-	-	-	-	-	-	-	3,355	3,355	
Exercise of convertible notes	50,932	-	-	(11,063)	-	-	39,869	-	39,869	
As at 31 March 2016	959,333	(1,128)	53	-	44	(716,648)	241,654	11,649	253,303	
At 1 January 2017	959,333	(4,167)	53	3,433	44	(776,881)	181,815	12,667	194,482	
Total comprehensive expenses for the period	-	-	-	-	-	(14,903)	(14,903)	(28)	(14,931)	
Share of exchange difference on associate	-	(1,128)	-	-	-	-	(1,128)	-	(1,128)	
Exchange difference on translation of financial statement of overseas subsidiaries	-	1,761	-	-	-	-	1,761	17	1,778	
	-	633	-	-	-	(14,903)	(14,270)	(11)	(14,281)	
Issuance of convertible notes	-	-	-	3,439	-	-	3,439	-	3,439	
Issuance of placing shares	41,160	-	-	-	-	-	41,160	-	41,160	
As at 31 March 2017	1,000,493	(3,534)	53	6,872	44	(791,784)	212,144	12,656	224,800	



10. Share capital

	As at 31 March 2017		As at 31 December 2016	
	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Amount HK\$'000 (Audited)
Issued and fully paid:				
At 1 January	1,502,677	959,333	1,142,677	908,401
Issuance of placing shares	100,000	41,160	–	–
Exercise of convertible notes	–	–	360,000	50,932
At end of period/year	1,602,677	1,000,493	1,502,677	959,333

11. Dividends

The Directors do not recommend any payment of interim dividend nor transfer of any amount to reserve for the three months ended 31 March 2017 (2016: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review and Prospects

During the three months ended 31 March 2017 (the “Period”), the Group recorded revenue from continuing operations of approximately HK\$6,532,000 (2016: approximately HK\$19,994,000 (re-presented)), while revenue generating from discontinuing operations for the Period was approximately HK\$5,488,000 (2016: approximately HK\$9,409,000 (re-presented)). The Group’s loss attributable to shareholders increased to approximately HK\$14,903,000 for the Period (2016: approximately HK\$5,576,000). Such increase of the loss was attributable to (i) the increase of finance costs arising from interest bearing debts including term loans, promissory notes and convertible notes; and (ii) the absence of the gain on disposal of Creative Star Group in the last corresponding period of approximately HK\$3,794,000.

Trading Business

The Group trades commodities, mainly included but not limited to steaming coal and chrome. During the Period, the revenue contributed from the trading segment was approximately HK\$5,692,000 (2016: approximately HK\$19,924,000). We believe the commodity prices are stabilising at current level and therefore the trading activities will become more robust in the coming future. The business is ongoing and further contracts will be signed in the second quarter of this year, it is expected that the revenue contributed from this segment will recover. The Group considers to participate in trading of construction materials including marbles and onyx stones and intends to obtain banking facilities for further development of the trading business.

Properties Development and Investment

The Group currently holds two properties in Wan Chai, Hong Kong. One of the properties has been used as the headoffice and one of the properties has been leased out to earn rental income while they also capture any possible future capital appreciation. During the Period, approximately HK\$421,000 rental income were received from tenants (2016: Nil). The Group is also tapping into building construction, properties development and trading of construction materials business through its associate company in the Republic of Turkey (“Turkey”).



Cemetery Business

The Cemetery Business of the Group is located in Zhecheng City, Hunan Province, the PRC. The cemetery services segment is experiencing reform in the PRC that favours officially approved operators. Due to the growing demand for legitimate burial and limited supply, the price of burial plot in the PRC has been soaring in recent years. It is a valuable opportunity for the Group to be able to participate in this business sector. During the Period, the Group commenced sales of niches and burial plots, approximately HK\$166,000 was recognised as revenue (2016: Nil). We believe the contribution of the cemetery business would be significant in the coming years.

Money Lending Business

To diversify the business of the Group, the Board has been considering and exploring for appropriate opportunities. During the Period, the Group conducted the money lending business through Ottoman Evershine Finance Limited, a wholly-owned subsidiary of the Company, which has been granted for a money lender licence in Hong Kong under the Money Lenders Ordinance. During the Period, the Group has made loans to customers while interest income of approximately HK\$253,000 was recorded (2016: Nil). We will closely monitor the credit status of the loan portfolio and look for new customers in order to broaden the revenue basis of the Group.

Travel Agency Business

The financial results of the travel agency business and the comparative results of its corresponding period in 2016 were re-classified as discontinuing operations during the Period. The results from this segment have dropped drastically due to slow economy and strong competition. During the Period, the revenue contributed from the travel agency segment was approximately HK\$5,488,000 (2016: approximately HK\$7,303,000). The operating cost has been increasing as a result the business is unprofitable. On 21 April 2017, the Company and Ringloma Limited ("Ringloma") entered into an agreement conditionally to dispose the current Travel Agency Business, i.e. the 100% of the issued share capital of Argos (China) Investment Limited ("Argos") and all obligations, liabilities and debts owing or incurred by Argos and its subsidiaries to the Group at the consideration of HK\$2,000,000 to be settled by way of setting off a loan amounting to HK\$2,000,000 that the Group previously granted by Ringloma. Upon Completion of the disposal on 8 May 2017, Argos and its subsidiaries ceased to be subsidiaries of the Company and their financial results will no longer be consolidated into the financial results of the Group. Details were set out in the Company's announcements dated 21 April 2017 and 8 May 2017.



Mobile Application Business

During the Period, no revenue contributed from the mobile application business (2016: approximately HK\$70,000). The previous mobile application business including a mobile game application of the name “Ninja in Barrel” and a mobile application named “Patalogue” have been discontinued due to the market acceptance and the performance of this business was lower than expected.

During the Period, the Group acquired 40% equity interest in First Surplus Investments Limited (“FSI”). The acquisition was completed on 17 March 2017. The results sharing from this interest in associates will be consolidated to the Group starting from the second quarter of this year. FSI and its subsidiaries are principally engaged in development of mobile games, game publishing, applications, related intellectual property and platform, and provision of related solutions. FSI contains full team of development, support and market publication. Through the acquisition, it is expected that the Group can further develop mobile application business and capture the opportunities in the mobile online game industry and also the software industry. Details of the acquisition are disclosed in the section of “Material Acquisition and Investments” in this report.

Dividend

The Directors do not recommend the payment of any interim dividend for the period ended 31 March 2017 (2016: HK\$Nil).

Financial Position

Charges on Group's Assets

As at 31 March 2017, there were term loans with total principal amount of approximately HK\$52,000,000 which carry interest at 4.75% per annum above the Hong Kong Dollar Best Lending Rate with repayment period of 24 months. The loans were secured by i) first legal charges of the two properties acquired by the Company which was completed on 27 June 2016; ii) the Company's corporate guarantee; iii) an unlimited personal guarantee given by Mr. Hung Tat Chi Alan, an executive Director of the Company; and iv) assignments of rental of the properties.

Liquidity and Financial Resources

As at 31 March 2017, the total assets of the Group was approximately HK\$530,856,000 (31 December 2016: approximately HK\$421,923,000), including cash and bank balances and restricted bank deposits of approximately HK\$62,473,000 (31 December 2016: approximately HK\$14,812,000).

Capital Structure

The number of issued shares of the Company as at 31 March 2017 and 31 December 2016 were 1,602,677,356 and 1,502,677,356 shares, respectively.



Placing of shares of the Company under general mandate (issued on 19 January 2017)

Pursuant to the placing agreement dated 9 January 2017, the Company appointed the placing agent to procure, on a best effort basis, placees to subscribe for up to 100,000,000 shares of the Company at a price of HK\$0.420 per share. On 19 January 2017, the Company issued and allotted 100,000,000 shares at the net placing price of HK\$0.42 each to not less than six allottees. The closing market price was HK\$0.51 per share of the Company on the date on which the terms of the issue were fixed. Up to the date of this Report, the net proceeds was approximately HK\$41,160,000 (approximately HK\$0.412 per share) and (i) approximately HK\$30,000,000 was used to partially repay outstanding promissory notes; (ii) approximately HK\$8,000,000 was lent out for the money lending business; and (iii) remaining proceeds were used as general working capital.

Details were disclosed in the Company's announcements dated 9 January 2017 and 19 January 2017.

Placing convertible notes under general mandate (issued on 23 March 2017)

Pursuant to the placing agreement dated 3 March 2017, the Company appointed the placing agent to procure, on a best effort basis, placees to subscribe for convertible notes of the Company up to principal amount of HK\$86,000,000 at the initial conversion price of HK\$0.43 per conversion share. The maximum number of Conversion Shares issuable upon conversion of the convertible notes shall be subject to the threshold of 200,535,471 Shares (subject to consolidation or subdivision) or such number of shares which may be permissible to be issued under the general mandate. On 23 March 2017, the Company issued convertible notes of principal in aggregate of HK\$86,000,000 and the net proceeds of approximately HK\$83,420,000 (equivalent to approximately HK\$0.417 per conversion shares) was received by the Company. The Company applied approximately HK\$30,000,000 to settle the consideration in relation to the acquisition of 40% issued share capital of First Surplus Investments Limited and intended that i) approximately HK\$30,000,000 will be lent as loans to customers under the Group's money lending business; ii) approximately HK\$10,000,000 will be used for procurement of inventories of the commodities trading business; and iii) the remaining net proceeds will be used as general working capital including, among others, staff costs, legal and professional fees and other operating costs. Up to the date of this report, no Conversion Share has been issued.

Details were disclosed in the Company's announcements dated 3 March 2017 and 23 March 2017.



Foreign currency risk

The Group's major business operations and investments are in PRC, Hong Kong and Turkey. All the outstanding balances of borrowings and obligations under finance leases are denominated in HKD. Other than described above, most of the assets, liabilities and transactions of the Group are primarily denominated in Hong Kong dollar, Renminbi, United States dollar and Turkish Lira. The Group has not entered into any instruments to hedge the foreign exchange exposure and considered the potential foreign exchange exposure of the Group is limited. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

Contingent liabilities

As at 31 March 2017, the Group had no material contingent liabilities (31 December 2016: Nil).

Material Acquisition and Investments

Acquisition of 40% issued share capital of First Surplus Investments Limited

On 20 January 2017, Ottoman Evershine Holdings Limited ("EGH"), a direct wholly owned subsidiary of the Company and an independent third party of the Company ("FSI Vendor") entered into a sales and purchase agreement ("SPA"), pursuant to which EGH would conditionally acquire 40% of the issued share capital ("Sale Shares") of First Surplus Investments Limited ("FSI") at consideration of HK\$80,000,000 ("FSI Consideration") and satisfied by (i) HK\$30,000,000 by cash upon completion and (ii) HK\$50,000,000 by way of issue of the promissory note to the FSI Vendor or his nominee(s) upon completion.

Pursuant to the SPA, the FSI Vendor irrevocably and unconditionally guarantee to EGH that the audited consolidated net profit after taxation (excluding unusual or extraordinary items) of the Target Group for the year ended 31 December 2017 (the "Actual Profit"), which is (i) based on the financial statements prepared in accordance with the HKFRS (the "Audited Financial Statements"); and (ii) to be audited by auditor(s) assigned or agreed by EGH, shall not be less than HK\$14,000,000 (the "Guaranteed Profit"). Pursuant to the SPA, in the event that the Actual Profit is less than the Guaranteed Profit, EGH shall be entitled to require the FSI Vendor to compensate in one of the following manner:

- (i) compensation of amount in respect of the shortfall (the "Compensation Sum") calculated in accordance with the following formula:

$$\text{Compensation Sum} = (\text{Guaranteed Profit} - \text{Actual Profit}) \times \text{Guaranteed Profit}$$

For the avoidance of doubt, the maximum amount of Compensation Sum payable by the FSI Vendor shall be HK\$50,000,000; or



- (ii) EGH shall have the right during the period from the issue of the Audited Financial Statements to 30 June 2018 (both days inclusive) and at its full discretion to sell the Sale Shares to the FSI Vendor at the price equivalent to the FSI Consideration, whereupon the FSI Vendor shall have the obligation to purchase the Sale Shares at such price (the "Put Option"). For the avoidance of doubt, no additional premium or other money is payable for exercise of the Put Option by EGH.

On 17 March 2017, all the conditions precedent of the acquisition of the Sale Shares have been fulfilled and FSI became an associate of the Company.

Details were disclosed in the Company's announcements dated 20 January 2017, 20 February 2017 and 17 March 2017.

The proposed projects in Europe and Turkey

The Group is committed to continuously exploring new and different investment opportunities in order to broaden its source of income. This allows the Group to diversify risks from any single segment of business and maintain profitability and be sustainable. The Group intends to tap into the properties investment and development market worldwide including Europe and Turkey which has high potential to be one of the Group's main profit streams.

- i) The proposed property development project located in Gaziosmanpasa, Turkey
The Group has identified a proposed property project in Gaziosmanpasa, Turkey ("Proposed Property Project A"). In order to conduct the feasibility study regarding the initial design of the Proposed Property Project A and also to provide the construction blueprint of the Proposed Property Project A, on 16 May 2016, the Group entered into the consultancy agreement with The 6th Engineering Bureau of China City Construction Holding Group Company ("The 6th Engineering Bureau") regarding the provision of technical engineering consultancy services (the "Consultancy Agreement"). The Proposed Property Project A is planned to have a construction area of approximately 110,000 sq. m..
- ii) The proposed project of Ankara Yenimahalle Station, Turkey
On 30 August 2016, the Group entered into a letter of intent (the "Lol") with The 6th Engineering Bureau, ASTRA İNŞAAT ANONİM ŞİRKETİ ("ASTRA"), ÇİFTAY İNŞAAT TAAHHÜT VE TİCARET A.Ş. ("ÇİFTAY") and PASİFİK GAYRİMENKUL YATIRIM İNŞ. A.Ş. ("PASİFİK") whereas each of PASİFİK, ÇİFTAY and ASTRA is a company duly constituted and existing under the laws of Turkey.



PASIFIK and ÇİFTAY have been awarded in the tender by the local authority for the revenue sharing model project of Ankara Yenimahalle Station (the “Project Ankara”), which is situated at Ankara, Turkey. Pursuant to the Lol, the Company, The 6th Engineering Bureau and ASTRA proposed their intention to be partners with the joint venture formed by PASIFIK and ÇİFTAY in Project Ankara subject to the execution and completion of the actual agreements after arm’s length negotiations among the parties.

Pursuant to the Lol, the joint venture will provide all the necessary documents and information to the Company, The 6th Engineering Bureau and ASTRA regarding the entire project, including but not limited to business model of the project. The Company, The 6th Engineering Bureau and ASTRA are gathering relevant business information, project forecasts conducting necessary review and analysis on the related documents and will make relevant feasibility studies to the projects.

Details of the proposed projects were disclosed in the Company’s announcements dated 5 February 2016, 6 May 2016, 16 May 2016, 18 May 2016 and 30 August 2016.

Disposal of Argos (China) Investments Limited

Subsequent to the Period, the Group has entered into an agreement to dispose Argos (China) Investments Limited, details of the such has been discussed in the section of “Operation Review and Prospect” in this report.

Share Option Scheme

The share option scheme was adopted on 1 February 2016 (the “Share Option Scheme”) by the Shareholders. The purpose of the Share Option Scheme is to enable the Company to grant Share Options to the Eligible Participants (as defined below) as incentives or rewards for their contribution to the long term development of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate, attract, retain and/or provide benefits to the Eligible Participants. The Share Option Scheme was adopted for a period of 10 years commencing from 1 February 2016 and will remain in force until 31 January 2026.

Eligible Participant under the Share Option Scheme includes any full-time or part-time employees, consultants or potential employees, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or has contributed to the Company and/or any of its subsidiaries.



The subscription price shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

- (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; and
- (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

Upon acceptance of the options, the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 14 days from the date of grant. Unless otherwise determined by the Board in the relevant offer letter to a grantee, there is no minimum period for which any option must be held before it can be exercised and no performance target which needs to be achieved by a grantee before the options can be exercised. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Based on 1,323,836,776 shares in issue as at the date of adoption of the Share Option Scheme, the maximum number of shares to be issued upon the exercise of options that may be granted under the Share Option Scheme are 132,383,677 shares, being 10% of the shares in issue as at the date of adoption. The total number of shares available for issue under the Share Option Scheme is 132,383,677 Shares, representing 8.26% of the total number of Shares in issue as at the date of this report.

Pursuant to the GEM Listing Rules, the total number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 10% of the shares in issue as at the date of adoption of the Share Option Scheme. The Board shall not grant any options which would result in the maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted but yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Company exceeding, in aggregate, 30% of the shares in issue from time to time.



The total number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company to each Eligible Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue (the "Individual Limit"). Any further grant of options to an Eligible Participant which would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to approval of the Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if such Eligible Participant is a connected person) abstaining from voting.

Any grant of options to a connected person (as defined in the GEM Listing Rules) must be approved by all Independent Non-executive Directors (excluding any Independent Non-executive Director who is the proposed grantee). Where options are proposed to be granted to a connected person who is also a substantial shareholder (as defined in the GEM Listing Rules) of the Company or an Independent Non-executive Director or any of their respective associates, and the proposed grant of options, when aggregated the options already granted to such connected person in the past 12 months period, would entitle that person to receive more than 0.1% of the total issued shares of the Company for the time being and the value of which is in excess of HK\$5,000,000, then the proposed grant must be subject to the approval of the shareholders at the general meeting. Apart from the connected person involved, all other connected persons of the Company must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant).

There is no outstanding share option under the Share Option Scheme as at 1 January 2017 and 31 March 2017. As at the date of this report, no options have been granted under the Share Option Scheme since its adoption.



CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules. The Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard and code of conduct throughout the period under review. The Company was not aware of any non-compliance during the three months ended 31 March 2017.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, none of the Directors or chief executives of the Company was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 to 5.47 the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS OF INTEREST IN SHARES

As at 31 March 2017, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, person or corporation who had interests or short position in the shares or underlying shares or debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 5% or more of the number of shares carrying rights to vote in all circumstances at general meetings of the Company, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in Shares

Name of substantial shareholders	Number of Shares held as at 31 March 2017			Approximate percentage of total issued ordinary Shares
	Personal Interest	Corporate Interest	Total	
Mr. Tütüncü Oğuz	357,387,000	—	357,387,000	22.30%
Mr. Lau Yu	1,266,000	173,653,000 (Note)	174,919,000	11.64%
Mr. Chiu Ngai Hung	166,033,000	—	166,033,000	10.36%
Mr. Boyracı Osman	145,022,000	—	145,022,000	9.05%

Note:

173,653,000 shares are owned by Noble Ace Investments Limited ("Noble Ace") which is 100% owned by Mr. Lau Yu. By virtue of the SFO, Mr. Lau Yu is deemed to have interest of the Shares held by Noble Ace.



Save as disclosed above, as at 31 March 2017, the Directors or chief executives of the Company were not aware of any party who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Pat XV of the SFO or, who is, directly or indirectly interested in 5% or more of the number of shares carrying rights to vote in all circumstances at general meetings of the Company, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option scheme referred as above, at no time during the three months ended 31 March 2017 was any of the Company or of its associated corporations a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercised any such rights.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the three months ended 31 March 2017, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period under review.



DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the three months ended 31 March 2017, same as disclosed elsewhere in this report, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company or any of its respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

AUDIT COMMITTEE

As at 31 March 2017, the audit committee of the Company (the "Audit Committee") comprised three independent non-executive Directors, namely, Ms. Lam Yuk Ying Elsa, Ms. Choy So Yuk, *BBS, JP* and Mr. Leung Man Chun. Mr. Leung Man Chun is the chairman of the Audit Committee and applies his professional qualifications in accounting and financial expertise in directing the Audit Committee. The unaudited consolidated financial statements for the three months ended 31 March 2017 has been reviewed by the Audit Committee. The Board considers that the financial information has been prepared in compliance with the applicable accounting principles, requirements of the GEM Listing Rules and any other applicable laws and has been adequately disclosed.

By order of the Board

Evershine Group Holdings Limited

Chan Ming Kei

Executive Director and Company Secretary

Hong Kong, 9 May 2017

As of the date of this report, the executive Directors are Mr. Bülent Yenil (Mr. Hung Tat Chi Alan as alternate Director), Mr. Chan Ming Kei, Mr. Hung Tat Chi Alan and Mr. Ling Ko Yin Jason; and the independent non-executive Directors are Ms. Choy So Yuk, BBS, JP, Ms. Lam Yuk Ying Elsa and Mr. Leung Man Chun.