



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

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

THIRD QUARTERLY REPORT

2017



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This report, for which the directors of EVERSHINE GROUP HOLDINGS LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Director(s)”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement in this report misleading.



HIGHLIGHTS

- The revenue from continuing operations of the Group was approximately HK\$27,837,000 for the nine months ended 30 September 2017 (2016: approximately HK\$32,913,000), representing a decrease of approximately 15% as compared to corresponding period in 2016.
- The loss of the Group was approximately HK\$50,410,000 for the nine months ended 30 September 2017 (2016: approximately HK\$28,148,000), representing an increase of loss approximately 79% over the corresponding period in 2016.
- Loss from continuing operations attributable to shareholders of the Group was approximately HK\$49,173,000 for the nine months ended 30 September 2017 (2016: approximately HK\$26,761,000), representing an increase in loss of approximately 84% over the corresponding period in 2016.
- Basic loss per share for continuing and discontinued operations for the nine months ended 30 September 2017 was approximately HK3.08 cents (2016: approximately HK1.91 cents) and loss per share for continuing operations was approximately HK3.08 cents (2016: approximately HK1.85 cents).
- The Directors do not recommend any payment of any dividend for the nine months ended 30 September 2017 (2016: Nil).

THIRD QUARTERLY RESULTS (UNAUDITED)

For the nine months ended 30 September 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 nine months ended 30 September 2017 (the “Period”) and three months ended 30 September 2017 together with the unaudited comparative figures for the corresponding periods in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
		(Re-presented)*		(Re-presented)*	
Continuing operations					
Revenue	2	27,837	32,913	692	438
Cost of sales and services		(24,922)	(32,280)	(65)	–
Gross profit		2,915	633	627	438
Other income and other gains and losses	2	(4,910)	4,413	(2,710)	–
Share of profit/loss of associates		4,673	–	3,691	–
Operating and administrative expenses		(29,838)	(29,982)	(9,127)	(11,127)
Finance costs	4	(23,236)	(2,965)	(7,508)	(1,779)
Loss before taxation	5	(50,396)	(27,901)	(15,027)	(12,468)
Taxation	6	–	916	–	–
Loss after taxation from continuing operations		(50,396)	(26,985)	(15,027)	(12,468)
Discontinued operations					
Loss from discontinued operations		(14)	(1,163)	–	(128)
Loss for the period		(50,410)	(28,148)	(15,027)	(12,596)

* On 21 April 2017, the Group entered into an agreement to dispose the travel agency service business. The disposal was completed on 8 May 2017. As a result, the revenue from the provision of travel agency services was included in discontinuing operations for the Period and its corresponding results were re-presented in discontinuing operations.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

	Notes	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
		2017 HK\$'000	2016 HK\$'000 (Re-presented)*	2017 HK\$'000	2016 HK\$'000 (Re-presented)*
Attributable to:					
Shareholders of the Company					
- From continuing operations		(49,173)	(26,761)	(14,420)	(12,390)
- From discontinued operations		(14)	(831)	-	(128)
		(49,187)	(27,592)	(14,420)	(12,518)
Non-controlling interests					
- From continuing operations		(1,209)	(224)	(607)	(78)
- From discontinued operations		(14)	(332)	-	-
		(1,223)	(556)	(607)	(78)
Loss for the period		(50,410)	(28,148)	(15,027)	(12,596)
Loss per share					
From continuing and discontinued operations					
- Basic and diluted	8	(3.08 cents)	(1.91 cents)	(0.90 cents)	(0.83 cents)
From continuing operations					
- Basic and diluted	8	(3.08 cents)	(1.85 cents)	(0.90 cents)	(0.82 cents)
From discontinued operations					
- Basic and diluted	8	(0 cents)	(0.06 cents)	(0 cents)	(0.01 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(50,410)	(28,148)	(15,027)	(12,596)
Other comprehensive income/(expenses) for the period, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Share of exchange difference of associates	107	–	(447)	–
Exchanged differences on translation of financial statements of overseas subsidiaries	4,441	(1,455)	1,789	139
Other comprehensive income/(expenses) for the period	4,548	(1,455)	1,342	139
Total comprehensive expenses for the period	(45,862)	(29,603)	(13,685)	(12,457)
Attributable to:				
– Shareholders of the Company	(45,266)	(29,042)	(13,630)	(12,402)
– Non-controlling interests	(596)	(561)	(55)	(55)
Total comprehensive expenses for the period	(45,862)	(29,603)	(13,685)	(12,457)



Notes:

1. Basis of preparation and principal accounting policies

The Group's unaudited third quarterly condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting.

The unaudited third quarterly condensed consolidated financial statements have been prepared under the historical cost basis except investment properties and contingent consideration asset – put option that are stated at the fair value. The principal accounting policies used in the preparation of these unaudited third quarterly condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2016 except for the additional principal accounting policies – “Contingent consideration asset – put option” as below and in relation to the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are expected to be reflected in the 2017 annual financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited third quarterly condensed consolidated financial statements. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

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 third quarterly results have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

Contingent consideration asset – put option

Contingent consideration asset – put option is initially recognised at fair value at the date when the option contract is entered into and is subsequently remeasured to the fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

2. Revenue, other income and other gains and losses

During the Period, the Group's revenue was generated from trading business, rentals, money lending business, cemetery business and mobile application services. On 21 April 2017, the Group entered into an agreement to dispose of the travel agency service business. The disposal was completed on 8 May 2017. As a result, the revenue from the provision of travel agency services was included in discontinued operations for the nine months ended 30 September 2017 and its corresponding results were re-presented in discontinued operations.

Revenue recognised during the reporting periods is as follows:

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Re-presented)		(Re-presented)	
Revenue from continuing operations				
Trading business	25,399	32,399	–	–
Rental income	1,263	433	421	433
Money lending business	918	–	228	–
Cemetery business	257	–	43	–
Mobile application services	–	81	–	5
Sub-total	27,837	32,913	692	438
Revenue from discontinued operations				
Travel agency services	9,001	22,525	–	6,194
Advertising and marketing services	–	2,106	–	–
Sub-total	9,001	24,631	–	6,194
Total revenue	36,838	57,544	692	6,632
Other income and other gains and losses				
Gain on disposal of subsidiaries	505	3,794	–	–
Sundry income	10	610	–	–
Interest income	30	9	7	–
Loss on fair value change of derivative asset – put option	(5,055)	–	(2,317)	–
Loss on disposal of plant and equipment	(400)	–	(400)	–
Total	(4,910)	4,413	(2,710)	–

3. Segmental information

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

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

(i) *For the nine months ended 30 September 2017 (Unaudited)*

	Continuing operation					Discontinued operation		Total
	Property development and investment		Money lending	Cemetery Services	Mobile application	Sub-total	Travel agency services	
	Trading HK\$'000	investment HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue from external customers	25,399	1,263	918	257	-	27,837	9,001	36,838
Segment (losses) profit	(3,709)	765	911	(4,136)	5,115	(1,054)	(14)	(1,068)
Unallocated corporate income						545	-	545
Unallocated corporate expenses						(26,651)	-	(26,651)
Finance costs						(23,236)	-	(23,236)
Loss before taxation						(50,396)	(14)	(50,410)

3. Segmental information (Continued)

(ii) For the nine months ended 30 September 2016 (Unaudited) (Re-presented)

	Continuing operations					Discontinued operations				Total HK\$'000
	Trading HK\$'000	Property investment HK\$'000	Mobile application HK\$'000	Cemetery services HK\$'000	Sub-total HK\$'000	Advertising and Travel		Sub-total HK\$'000		
						agency services HK\$'000	marketing services HK\$'000			
Segment revenue from external customers	32,399	433	81	-	32,913	22,525	2,106	24,631	57,544	
Segment loss	(1,002)	(2,705)	(7,426)	(2,078)	(13,211)	(335)	(828)	(1,163)	(14,374)	
Unallocated corporate income					4,413	-	-	-	4,413	
Unallocated corporate expenses					(16,138)	-	-	-	(16,138)	
Finance costs					(2,965)	-	-	-	(2,965)	
Loss before taxation					(27,901)	(335)	(828)	(1,163)	(29,064)	

4. Finance costs

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Interest on convertible notes	10,239	–	4,466	–
Interest on promissory notes	9,178	1,124	1,977	99
Interest on short-term loans	3,803	1,841	1,057	1,680
Others	16	–	8	–
	23,236	2,965	7,508	1,779

5. Loss before taxation

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

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories recognised as expense	24,922	32,280	65	–
Amortisation of intangible assets	2,990	8,700	733	2,900
Depreciation	2,258	2,416	769	2,162
Operating lease charges in respect of property rentals	1,717	1,987	563	646
Staff costs including directors' emoluments	9,982	5,997	3,185	2,610



6. Taxation

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the reporting periods. PRC Enterprise Income Tax is computed according to the relevant legislation, interpretations and practices in respect thereof during the reporting periods. The applicable PRC income tax rate is 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 Group and their financial results will no longer be consolidated into the financial results of the Group. The disposal was completed on 8 May 2017.

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 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 has ceased 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\$49,187,000 (2016: HK\$27,592,000 (re-presented)) and the weighted average of 1,596,358,675 (2016: 1,447,096,570) 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 notes were anti-dilutive.

9. Capital and reserves (Unaudited)

	Share Capital HK\$'000	Exchange Reserve HK\$'000	Statutory Reserve HK\$'000	Convertible note Reserve HK\$'000	Other Reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling Interests HK\$'000	Total equity HK\$'000
At 1 January 2016	908,401	(13)	53	11,063	44	(711,482)	208,066	8,701	216,767
Loss for the period	-	-	-	-	-	(27,592)	(27,592)	(556)	(28,148)
Exchange difference on translation of financial statement of overseas subsidiaries	-	(1,450)	-	-	-	-	(1,450)	(5)	(1,455)
Total comprehensive expenses for the period	-	(1,450)	-	-	-	(27,592)	(29,042)	(561)	(29,603)
Disposal of subsidiaries	-	-	-	-	-	-	-	3,355	3,355
Exercise of convertible notes	50,932	-	-	(11,063)	-	-	39,869	-	39,869
Capital injection from non-controlling interests	-	-	-	-	-	-	-	(27)	(27)
As at 30 September 2016	959,333	(1,463)	53	-	44	(739,074)	218,893	11,468	230,361
At 1 January 2017	959,333	(4,167)	53	3,433	44	(776,881)	181,815	12,867	194,482
Loss for the period	-	-	-	-	-	(50,410)	(50,410)	(1,223)	(51,633)
Share of exchange difference on associate	-	107	-	-	-	-	107	-	107
Exchange difference on translation of financial statement of overseas subsidiaries	-	3,814	-	-	-	-	3,814	627	4,441
Total comprehensive expenses for the period	-	3,921	-	-	-	(50,410)	(46,489)	(596)	(47,085)
Issuance of convertible notes	-	-	-	3,439	-	-	3,439	-	3,439
Issuance of placed shares	41,160	-	-	-	-	-	41,160	-	41,160
Exercise of convertible notes	14,851	-	-	(603)	-	-	14,248	-	14,248
Disposal of subsidiaries	-	(83)	(53)	-	-	136	-	84	84
As at 30 September 2017	1,015,344	(329)	-	6,269	44	(827,155)	194,173	12,155	206,328

10. Share capital

	As at 30 September 2017		As at 31 December 2016	
	Number of shares	Amount	Number of shares	Amount
	'000	HK\$'000	'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Issued and fully paid:				
At 1 January	1,502,677	959,333	1,142,677	908,401
Issuance of placing share (a)	100,000	41,160	–	–
Issue of shares upon conversion of convertible notes (b)	35,000	14,851	360,000	50,932
At the end of period	1,637,677	1,015,344	1,502,677	959,333

Note:

- (a) Pursuant to the placing agreement dated 9 January 2017, the Company appointed the placing agent to procure placees to subscribe for up to 100,000,000 shares of the Company at a price of HK\$0.42 per share. On 19 January 2017, the Company issued and allotted 100,000,000 shares at the net placing price of HK\$0.412 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. The net proceeds was approximately HK\$41,160,000 (approximately HK\$0.412 per share).
- (b) On 23 March 2017, the Company issued unsecured convertible notes (“CN”) in the principal amount of HK\$86,000,000. The net proceeds received by the Company was approximately HK\$83,420,000, denominated in Hong Kong dollars. The CN entitle the holders to convert them into conversion shares of the Company at any time between the date of issue of the CN and their settlement date on 23 March 2019 at a conversion price of HK\$0.43 per convertible share. The CN carries interest rate of 13% per annum on the outstanding principal amount of the CN, which will be payable by the Company quarterly in arrears.

During the nine months ended 30 September 2017, the Company has received a conversion notice in respect of the exercise of a part of the conversion rights attached to the CN in an aggregate principal amount of HK\$15,050,000 at the conversion price of HK\$0.43 per Share. As a result of the conversion of the CN, on 25 September 2017, the Company allotted and issued 35,000,000 shares.

11. Dividend

The Directors do not recommend any payment of interim dividend for the nine months ended 30 September 2017 (2016: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review and Prospect

For the nine months ended 30 September 2017 (the "Period"), the Group recorded revenue from continuing operations of approximately HK\$27,837,000 (2016: approximately HK\$32,913,000 (re-presented)), while revenue generating from discontinuing operations for the Period was approximately HK\$9,001,000 (2016: approximately HK\$24,631,000 (re-presented)). The Group's loss attributable to shareholders increased to approximately HK\$49,187,000 for the Period (2016: approximately HK\$27,592,000). Such increase in the loss was mainly attributable to the increase in finance costs of the Group by approximately HK\$20,271,000.

Trading Business

The Group trades commodities, mainly including but not limited to steaming coal and chrome. During the Period, the revenue contributed from the trading segment was approximately HK\$25,399,000 (2016: approximately HK\$32,399,000). We consider that the stabilising commodity prices and the recovering market confidence will continue to benefit the growth of the trading business. The Group will continue to expand the segment through diversification.

Property 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, rental income were approximately HK\$1,263,000 (2016: approximately HK\$433,000). The Group taps into building construction, property development and trading of construction materials business through its associate company in 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 also the limited supply, the price of burial plots in the PRC has been soaring in recent years. During the Period, revenue recognised for the sales of niches and burial plots was approximately HK\$257,000 (2016: Nil). As the development of the cemetery area is close to completion, we believe that the contribution of the cemetery business would be significant in the coming years.



Money Lending Business

During the Period, the Group conducted the money lending business through Ottoman Evershine Finance Limited (“OEF”), a wholly-owned subsidiary of the Company. OEF is a licensed money lender in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and made loans to customers. During the Period, interest income of approximately HK\$918,000 was recorded (2016: Nil). We will closely monitor the credit status of the loan portfolios and look for new customers in order to broaden the revenue basis of the Group.

Mobile Application Business

During the Period, no revenue was contributed from the mobile application business (2016: approximately HK\$81,000). The previous mobile application business included a mobile game application of the name “Ninja in Barrel” and a mobile application named “Patalogue” which 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 associate have been 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.



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 dropped drastically due to slow economy and strong competition. During the Period, the revenue contributed from the travel agency segment was approximately HK\$9,001,000 (2016: approximately HK\$22,525,000). The operating cost had been increasing and the business was 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 ceased to 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.

Dividend

The Directors do not recommend the payment of any interim dividend for the nine months ended 30 September 2017 (2016: HK\$Nil).

Capital Structure

The number of issued shares of the Company as at 30 September 2017 and 31 December 2016 were 1,637,677,356 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, places 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, places 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 intended to apply i) approximately HK\$30,000,000 to settle the consideration in relation to the acquisition of 40% issued share capital of First Surplus Investments Limited; ii) approximately HK\$30,000,000 would be lent as loans to customers under the Group's money lending business; iii) approximately HK\$10,000,000 would be used for procurement of inventories of the commodities trading business; and iv) approximately HK\$13,420,000 would be used as general working capital. The actual use of the net proceeds up to 30 September 2017 was in the following manner: i) approximately HK\$30,000,000 was used to settle the consideration in relation to the acquisition of 40% issued share capital of First Surplus Investments Limited; ii) approximately HK\$5,800,000 was lent as loans to customers under the Group's money lending business; iii) approximately HK\$21,000,000 was used to settle the outstanding promissory notes and the interest expenses; iv) HK\$15,561,000 was paid as deposit for the acquisition of further 30% issued share capital of Boyracı Yapı İnşaat ve Taahhut Gayrimenkul Yatırım Anonim Şirketi; and v) the remaining net proceeds of approximately HK\$11,059,000 was used as general working capital.

During the nine months ended 30 September 2017, the Company has received a conversion notice in respect of the exercise of a part of the conversion rights attached to the convertible note in an aggregate principal amount of HK\$15,050,000 at the conversion price of HK\$0.43 per Share. As a result of the conversion of the convertible note on 25 September 2017, the Company allotted and issued 35,000,000 shares.

Details were disclosed in the Company's announcements dated 3 March 2017, 23 March 2017 and 25 September 2017.



Material Acquisitions and Investments

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

On 20 January 2017, Ottoman Evershine Holdings Limited (“OEH”), 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 OEH 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 guaranteed to OEH that the audited consolidated net profit after taxation (excluding unusual or extraordinary items) of FSI and its subsidiaries 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 OEH, 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, OEH 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) OEH 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 OEH.



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.

Acquisition of additional 30% of the equity interest of Boyracı Yapı İnşaat ve Taahhüt Gayrimenkul Yatırım Anonim Şirketi ("Boyracı Construction")

Boyracı Construction is a company incorporated in Turkey and is specialized in elite urban transformation projects and earthquake resistant buildings. The Group acquired 30% of the equity interest of Boyracı Construction at 30 December 2016.

Pursuant to the sales and purchase agreement entered into between Ottoman Evershine İnşaat Proje Ticaret Anonim Şirketi ("Evershine İnşaat"), a company incorporated in Turkey and an indirect wholly owned subsidiary of the Company, and Mr. Osman Boyracı ("Mr. Osman") on 6 June 2017 as well as the supplemental deed entered into between the aforesaid parties on 6 November 2017. Evershine İnşaat conditionally agreed to acquire an additional 30% of the share capital of Boyracı Construction at a consideration of US\$6,550,000 (approximately equivalent to HK\$51,090,000) satisfied by (i) an upfront refundable cash deposit of USD2,000,000 (approximately equivalent to HK\$15,600,000; (ii) the issuance of promissory note in the principal amount of USD3,438,770 (approximately equivalent to HK\$26,822,000) which carries interest rate of 13% per annum and will mature due on the second anniversary date from the date of issue; and (iii) the issuance of promissory note as a deferred consideration in the principal amount of up to USD1,111,230 (approximately equivalent to HK\$8,668,000) ("Deferred Consideration") on a date that is not later than 30 September 2019 ("Deferred Consideration Date"). The Deferred Consideration will be calculated as the lower of (1) the adjusted fair value ("Adjusted Fair Value") of the construction projects to be engaged by Boyracı Construction known as Project İclaliye and Project Hurrem (the "Projects") or (2) USD1,111,230 (approximately equivalent to HK\$8,668,000). The Adjusted Fair Value shall be an amount equal to thirty per cent (30%) of fair value of the Projects at the Deferred Consideration Date as contained less the actual costs (including but not limited to any construction and development costs) incurred in respect of the Projects up to and including the Deferred Consideration Date.



The consideration was determined after arm's length negotiations with reference to, among others, (i) the fair market value of the existing completed and under-construction properties and the value-added portion of the new project in 2017 held by Boyracı Construction with reference to the market values of similar properties in similar locations; and (ii) the latest management account of Boyracı Construction.

As at 30 September 2017, Boyracı Construction has 6 completed projects, namely Arzu Apartmanı, Sibel Apartmanı, Akasya Apartmanı, Evim Apartmanı, Doğa Apartmanı and Acarblu Ticare Merkezi with gross saleable area of approximately 3,863 m², and there are 2 projects, namely Project İclaliye and Project Hurrem, to be completed by 2019 with a total construction area of approximately 4,837 m².

Upon the fulfillment of the certain conditions, this acquisition of an additional 30% equity interest of Boyracı Construction will become an indirect 60%-owned subsidiary of the Company, and its financial results, assets and liabilities will be consolidated and accounted for as a subsidiary in the financial statements of the Group.

For further details of the acquisition, please refer to the announcement of the Company dated 6 June 2017 and 6 November 2017. The acquisition constitute a major transaction and connected transaction under the GEM Listing Rules and is subjected to independent shareholders' approval to be obtained at the forthcoming extraordinary general meeting of the Company.

Other proposed projects

i) The proposed property development project located in Gaziosmanpaşa, Turkey

The Group has identified a proposed property project in Gaziosmanpaşa, Turkey ("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”). PASİFİK 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 PASİFİK and ÇİFTAY in Project Ankara subject to the execution and completion of the actual agreements after arm’s length negotiations among the parties.

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

iii) *The Strategic Partnership Agreement with PASİFİK*

On 6 November 2017, the Company entered into a strategic partnership agreement with PASİFİK in relation to the strategic partnership including (i) to explore investment opportunities in real estate development in Turkey; (ii) to establish partnership for engineering and related construction business; and (iii) to invite more industrial partners from mainland China to further broaden the scope of business development.

iv) *The memorandum of understanding in relation to cemetery business*

On 18 August 2017, the Company entered into a non-legally binding memorandum of understanding with 深圳市信一資本投資有限公司 (Shenzhen Xinyi Capital Investment Co., Ltd.) (“PRC Fund”), a company established in the PRC with limited liability in relation to a proposed transaction (“Proposed Transaction”) where PRC Fund intends to invest in the Group’s PRC cemetery business with a minority stake of not more than 49%, conducted by way of subscription of share capital and/or transfer of shares. The Company and the PRC Fund shall negotiate in good faith to agree the terms of Proposed Transaction such that the formal agreement (“Formal Agreement”) can be entered into between the relevant parties. Up to the latest practicable date, the details of such strategic cooperation is still under negotiations between the parties and the Formal Agreement has not been entered.



Disposal of Argos (China) Investments Limited

During the Period, the Group disposed Argos (China) Investments Limited on 8 May 2017, 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.



As at the date of this report, the maximum number of shares to be issued upon the exercise of options that may be granted under the Share Option Scheme is 160,267,735 shares, being 10% of the shares in issue at the date of the annual general meeting held by the Company on 11 May 2017 under the scheme mandate limited approved by shareholders of the Company. The total number of shares available for issue under the Share Option Scheme representing 10% 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 30 September 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 nine months ended 30 September 2017.

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

As at 30 September 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 30 September 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:

Name of substantial shareholders	Number of Shares held as at 30 September 2017			Approximate percentage of total issued ordinary Shares
	Personal Interest	Corporate Interest	Total	
Mr. Chiu Ngai Hung	334,194,000	—	334,194,000	20.41%
Mr. Tütüncü Oğuz	108,932,000	—	108,932,000	6.65%
Mr. Boyracı Osman	193,190,000	—	193,190,000	11.80%
Mr. Lau Yu	1,266,000	164,653,000 (Note)	165,919,000	10.13%

Note:

164,653,000 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.



DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option scheme referred to above, at no time during the nine months ended 30 September 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 nine months ended 30 September 2017, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has complied with the public float requirement under rule 11.23 of the GEM Listing Rules.

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 nine months ended 30 September 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 30 September 2017, the audit committee of the Company (the "Audit Committee") comprised three independent non-executive Directors, namely, Ms. Choy So Yuk, BBS, JP, Ms. Lam Yuk Ying Elsa 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 nine months ended 30 September 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.



CORPORATE GOVERNANCE

For the nine months ended 30 September 2017, the Company has complied with all the code provisions as set out in the Corporate Governance Code (the “CG Code”) in Appendix 15 of the GEM Listing Rules except for the code provisions A.2.1 and A.4.1 of the CG Code, as set out below.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the period under review, there is no chairman of the Company nor chief executive officer (the “CEO”). The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post of the CEO as appropriate and will make further announcement in due course.

According to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term of service. None of the independent non-executive Directors have entered into a service contract or an appointment letter with the Company for a specific term of service but their appointments are subject to retirement by rotation and offers themselves for re-election at the annual general meeting at least once for every three years in accordance with the articles of association of the Company. The Company believes such practice meets the same objective and is no less exacting than those prescribed under code provision A.4.1.

By order of the Board
Evershine Group Holdings Limited
Chan Ming Kei
Executive Director and Company Secretary

Hong Kong, 10 November 2017

As at the date hereof, the executive Directors are Mr. Chan Ming Kei, Mr. Hung Tat Chi Alan and Mr. Ling Ko Yin Jason; the non-executive Director is Mr. Chan Wai Kit; and the independent non-executive Directors are Ms. Choy So Yuk, BBS, JP, Ms. Lam Yuk Ying Elsa and Mr. Leung Man Chun.