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## **Evershine Group Holdings Limited**

**永耀集團控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 8022)**

### **UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

## UNAUDITED CONSOLIDATED RESULTS

For the reasons explained below under “Review of Unaudited Annual Results”, the auditing process for the annual results of Evershine Group Holdings Limited. (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) has not been completed. In the meantime, the board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 together with the audited comparative figures for the year ended 31 December 2018 as follows:

### UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2019*

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> <b>(Audited)</b>
Revenue	3	<b>3,438</b>	4,427
Cost of sales		<b>(1,032)</b>	(2,506)
Gross profit		<b>2,406</b>	1,921
Other income, (loss)/gain, net		<b>(46,702)</b>	11,082
Share of loss of associates		<b>(6,082)</b>	(5,790)
Impairment loss on an intangible asset		–	(73,171)
Operating and administrative expenses		<b>(25,051)</b>	(32,023)
<b>Loss from operations</b>		<b>(75,429)</b>	(97,981)
Finance costs	4	<b>(17,129)</b>	(15,465)
Loss before taxation	4	<b>(92,558)</b>	(113,446)
Taxation	5	<b>(523)</b>	3
Loss for the year		<b>(93,081)</b>	(113,443)
Attributable to:			
Owners of the Company		<b>(92,278)</b>	(105,087)
Non-controlling interests		<b>(803)</b>	(8,356)
		<b>(93,081)</b>	(113,443)
<b>Loss per share</b>	6		
Basic and Diluted		<b>(5.12) cents</b>	(6.02) cents

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

*For the year ended 31 December 2019*

	<b>2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> <b>(Audited)</b>
<b>Loss for the year</b>	<u><b>(93,081)</b></u>	<u>(113,443)</u>
<b>Other comprehensive (expense)/income for the year</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	(15,298)	4,471
Release of exchange reserve upon derecognition of an associate	2,728	5,623
Share of exchange differences of associates	(1,077)	(7,244)
Gain on fair value change attributable to change in credit risk of convertible notes	670	–
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive expense in relation to the employment benefit	<u>(2)</u>	<u>–</u>
<b>Other comprehensive (expense)/income for the year, net of income tax</b>	<u><b>(12,979)</b></u>	<u>2,850</u>
<b>Total comprehensive expense for the year</b>	<u><b>(106,060)</b></u>	<u>(110,593)</u>
Attributable to:		
Owners of the Company	(100,374)	(106,324)
Non-controlling interests	<u>(5,686)</u>	<u>(4,269)</u>
<b>Total comprehensive expense for the year</b>	<u><b>(106,060)</b></u>	<u><b>(110,593)</b></u>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		49,580	53,300
Right-of-use assets		4,775	–
Investment properties		135,197	154,727
Properties under construction		–	35,021
Intangible assets		37,276	38,499
Interests in associates		27,280	77,388
Deferred tax assets		359	1,282
		254,467	360,217
<b>Current assets</b>			
Inventories		–	420
Properties under construction		32,759	–
Trade and other receivables	9	14,064	20,354
Loan and interest receivables		2,767	–
Cash and cash equivalents		812	3,573
		50,402	24,347
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	10	20,332	11,715
Contingent consideration		–	6,644
Borrowings		110,000	30,000
Lease liabilities		2,589	133
Promissory notes		33,622	–
Tax payable		–	7
Provision of litigation		300	–
		166,843	48,499
<b>Net current liabilities</b>		<b>(116,441)</b>	<b>(24,152)</b>
<b>Total assets less current liabilities</b>		<b>138,026</b>	<b>336,065</b>

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
<b>Non-current liabilities</b>			
Other payables	<i>10</i>	<b>8,120</b>	8,893
Lease liabilities		<b>1,961</b>	570
Borrowings		–	59,000
Promissory notes		<b>31,580</b>	63,417
Provision for employment benefits		<b>49</b>	35
Deferred tax liabilities		<b>18,382</b>	21,107
		<b>60,092</b>	153,022
<b>NET ASSETS</b>		<b>77,934</b>	183,043
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>1,088,962</b>	1,088,011
Reserves		<b>(1,049,176)</b>	(948,802)
<b>Total equity attributable to owners of the Company</b>		<b>39,786</b>	139,209
Non-controlling interests		<b>38,148</b>	43,834
<b>TOTAL EQUITY</b>		<b>77,934</b>	183,043

## 1. GENERAL INFORMATION

Evershine Group Holdings Limited (the “**Company**”) is a public limited company incorporated in Hong Kong with its shares listed on the GEM of The Stock Exchange of Hong Kong Limited.

The address of the registered office and principal place of business of the Company are at 16th Floor, Henan Building, 90 & 92 Jaffe Road, Wan Chai, Hong Kong.

The principal activity of the Company is investment holding. The subsidiaries and associates of the Company are engaged in trading business, property development and investment business, money lending business, mobile application business and cemetery business.

The unaudited consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION

### (a) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for investment properties and financial liabilities at fair value through profit or loss, which are measured at fair value.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (b) Going concern assumption

In preparing these unaudited consolidated financial statements, the Directors have considered the future liquidity of the Group. As at 31 December 2019, the Group had recorded net current liabilities of approximately HK\$116,441,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, the unaudited consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next year from the date of the unaudited consolidated financial statements, after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

1. The Group has been actively negotiating with the financial institution for the repayment arrangements and to renew the Group's mortgage loans until the secured assets shall be sold to reduce the Group's financial costs and short-term obligations;
2. One of the promissory notes with principal amount of approximately USD1,939,000 which will due on 1 October 2020 (the "PN3"). On 9 March 2020, the Company entered an extension agreement with the noteholder of PN3 to extend the maturity date to 1 October 2022. Pursuant to the extension agreement, saved as the changes of maturity date, all terms and conditions of the PN3 would remain unchanged.
3. One of the promissory notes with principal amount of HK\$32,000,000 which will due on 17 March 2021 (the "PN2"). On 26 March 2020, the Company entered an extension agreement with the noteholder of PN2 to extend the maturity date to 31 October 2021. Pursuant to the extension agreement, saved as the changes of maturity date, all terms and conditions of the PN2 would remain unchanged.
4. One of the promissory notes with principal amount of approximately HK\$20,118,000 which will due on 30 November 2020 (the "PN1"). The Group is currently negotiating with the noteholder of PN1 for the extension of maturity date. Up to the date of this announcement, no formal agreement has reached with the noteholder of PN1 for the extension of maturity date.
5. The Group is looking for its divestment of its assets and business so as to raise proceeds or at its best to extinguish its debt obligations; and
6. The Group is looking for credit facilities available and any fund-raising activities such as right issue which could increase cashflow for the Group.

(c) **Application of new and revised HKFRSs**

*New and Amendments to HKFRSs that are mandatorily effective for the current year*

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

*Impacts and changes in accounting policies of application on HKFRS 16 Leases*

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

*Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and Turkey was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$4,405,000 and right-of-use assets of HK\$5,232,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases and obligation under finance leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 9.39%.



	At 1 January 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	7,569
Less: Commitments relating to leases exempt from capitalisation: Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	<u>(240)</u>
	7,329
Less: Total future interest expenses	(2,935)
Less: Prepaid land lease recognised as at 31 December 2018	<u>(692)</u>
Present value or remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019	3,702
Add: Financial lease liabilities recognised as at 31 December 2018	<u>703</u>
Lease liabilities recognised as at 1 January 2019	<u><u>4,405</u></u>
Analysed as	
Current	184
Non-current	<u>4,221</u>
	<u><u>4,405</u></u>

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	4,436
Amounts included in property, plant and equipment under HKAS 17 – Asset previously under finance lease (Note)	<u>796</u>
	<u><u>5,232</u></u>

*Note:*

In relation to asset previously under finance lease, the Group recategorised the carrying amount of the relevant asset which was still under lease as at 1 January 2019 amounting to HK\$796,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$133,000 and HK\$570,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

*As a lessor*

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's unaudited consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Transition to HKFRS 16 does not have impact on accumulated losses at 1 January 2019.

The following tables summarise the impacts of applying HKFRS 16 as a lessor on the Group's unaudited consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amount under HKFRS 16 at 1 January 2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	53,300	(796)	52,504
Right-of-use assets	–	5,232	5,232
<b>Current assets</b>			
Trade and other receivables	20,354	(734)	19,620
<b>Current liabilities</b>			
Lease liabilities	–	184	184
Obligations under finance leases	133	(133)	–
<b>Non-current liabilities</b>			
Lease liabilities	–	4,221	4,221
Obligations under finance leases	570	(570)	–
	<u>570</u>	<u>(570)</u>	<u>–</u>

### 3. REVENUE

During the year, the Group's revenue was generated from trading business, rental income, interest income from money lending business and service income from cemetery.

The amount of each significant category of revenue recognised in revenue during the year is analysed as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Service income from cemetery	<b>98</b>	63
Trading business	<b>1,022</b>	3,001
	<b>1,120</b>	3,064
Revenue from other sources:		
Rental income	<b>2,064</b>	1,334
Interest income from money lending business	<b>254</b>	29
	<b>2,318</b>	1,363
	<b>3,438</b>	4,427
Timing of revenue recognition:		
A point in time	<b>1,022</b>	3,001
Over the time	<b>98</b>	63
	<b>1,120</b>	3,064

#### 4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>(a) Finance costs</b>		
Interest on lease liabilities	372	27
Interest on promissory notes	6,220	3,925
Interest on convertible notes	1,082	5,958
Interest on borrowings	9,455	5,555
	<u>17,129</u>	<u>15,465</u>
<b>(b) Staff costs (including Directors' remuneration)</b>		
Contributions to defined contribution retirement plans	290	264
Social security costs	105	39
Salaries, wages and other benefits	11,781	10,431
	<u>12,176</u>	<u>10,734</u>
<b>(c) Other items</b>		
Depreciation of property, plant and equipment	2,880	2,879
Depreciation of right-of-use assets	377	–
Auditors' remuneration – current year	977	791
Operating lease charges in respect of property rental	1,082	1,480
Amortisation of intangible assets	1,222	2,808
Impairment losses on an intangible asset	–	73,171
Costs of inventories	914	2,227
Direct outgoings from investment properties that generated rental income	130	119
Direct outgoings for investment properties that were vacant during the year	86	85

## 5. TAXATION

### (a) Taxation in the unaudited consolidated statement of profit or loss represents:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	–	7
– PRC Enterprise Income tax	–	–
– Turkey Corporate Income Tax	–	–
	<hr/>	<hr/>
	–	7
Deferred tax expense/(credit)	<u>523</u>	<u>(10)</u>
Tax expense/(credit)	<u><u>523</u></u>	<u><u>(3)</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the People’s Republic of China (the “**PRC**”) on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

In Turkey, the Corporate Income Tax rate levied on business profits is 22% for 2018, 2019 and 2020, increasing from 20%. However, the president and the tax authority are authorized to reduce the tax rate to 20% from 2021. A reduced tax rate applies to earnings derived from investment in specified sectors/regions.

## 6. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the shareholders of the Company is based on the following data:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the purposes of basic and diluted loss per share		
Loss for the year attributable to the shareholders of the Company	<u><u>(92,278)</u></u>	<u><u>(105,087)</u></u>
	<b>2019</b> <i>'000 shares</i>	2018 <i>'000 shares</i>
<b>Number of shares</b>		
Weighted average number of share for the purposes of basic and diluted loss per share	<u><u>1,803,411</u></u>	<u><u>1,746,992</u></u>

The diluted loss per share for the years ended 31 December 2019 and 2018 is the same as the basic earnings per share as there were no dilutive potential shares outstanding during both years.

The denominators used are the same as those detailed above for both basic and diluted loss per share.

## 7. DIVIDENDS

The Board does not recommend the payment of any dividend for the financial year ended 31 December 2019 (2018: Nil).

## 8. SEGMENT REPORTING

### Segment revenue and results

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

	2019					Total HK\$'000
	Trading HK\$'000	Property development and investment HK\$'000	Money lending HK\$'000	Mobile application HK\$'000	Cemetery HK\$'000	
Segment revenue from external customers	<u>1,022</u>	<u>2,064</u>	<u>254</u>	<u>-</u>	<u>98</u>	<u>3,438</u>
Segment loss	<u>(3,408)</u>	<u>(3,762)</u>	<u>(2,847)</u>	<u>(6,069)</u>	<u>(2,899)</u>	<u>(18,985)</u>
Unallocated corporate income						(46,702)
Unallocated corporate expenses						(9,742)
Finance costs						<u>(17,129)</u>
Loss before taxation						<u>(92,558)</u>
	2018					
	Trading HK\$'000	Property development and investment HK\$'000	Money lending HK\$'000	Mobile application HK\$'000	Cemetery HK\$'000	Total HK\$'000
Segment revenue from external customers	<u>3,001</u>	<u>1,334</u>	<u>29</u>	<u>-</u>	<u>63</u>	<u>4,427</u>
Segment loss	<u>(1,866)</u>	<u>(6,090)</u>	<u>-</u>	<u>(3,564)</u>	<u>(78,654)</u>	<u>(90,174)</u>
Unallocated corporate income						11,082
Unallocated corporate expenses						(18,889)
Finance costs						<u>(15,465)</u>
Loss before taxation						<u>(113,446)</u>



## 9. TRADE AND OTHER RECEIVABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade debtors, net of allowance for credit losses (a)&(b)	<b>185</b>	2,587
Other receivables	<b>7,665</b>	8,719
Rental and other deposits	<b>5,083</b>	7,081
Prepayments	<b>1,131</b>	1,967
	<u><b>14,064</b></u>	<u>20,354</u>

(a) The following shows the trade debtors as at 31 December 2019 and 2018:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade debtors	<b>390</b>	2,611
Less: Allowance for credit losses	<u><b>(205)</b></u>	<u>(24)</u>
	<u><b>185</b></u>	<u>2,587</u>

(b) Ageing analysis

The following is an aged analysis of trade debtors (net of allowance for credit losses) presented based on the invoice dates:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 month	<b>22</b>	2,399
More than 1 month but within 3 months	–	–
More than 3 months but within 6 months	–	–
More than 6 months	<u><b>163</b></u>	<u>188</u>
	<u><b>185</b></u>	<u>2,587</u>

Trade debtors are generally granted with credit terms ranging from 30 days to 180 days. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon customers' requests.

## 10. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current:		
Trade creditors (a)	2,499	2,634
Other payables (b)	<u>3,598</u>	<u>3,480</u>
Financial liabilities measured at amortised cost	6,097	6,114
Accrued charges	7,157	1,717
Other taxes and government surcharges payables	4,145	2,946
Contract liabilities (c) & (d)	<u>2,933</u>	<u>938</u>
	<u><u>20,332</u></u>	<u><u>11,715</u></u>
Non-Current:		
Other payables (b)	<u><u>8,120</u></u>	<u><u>8,893</u></u>

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

### (a) Ageing analysis

The ageing analysis of trade creditors (based on invoice date) at the end of the reporting period is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 month	3	399
More than 1 month but within 3 months	1	10
More than 3 months but within 6 months	2	59
More than 6 months but within 1 year	593	110
Over 1 year	<u>1,900</u>	<u>2,056</u>
	<u><u>2,499</u></u>	<u><u>2,634</u></u>

(b) As at 31 December 2019, approximately HK\$2,989,000 (2018: approximately HK\$3,301,000) is due to Lau Yu, a former director of the Company. The amounts are unsecured and non-interest bearing. In which the balance of approximately HK\$754,000 is repayable from 2020 to 2027 and such balance is classified under non-current liabilities.

(c) The amounts represent prepaid service income from customers, for which the related services are expected to be rendered within one year from the end of the reporting period.

(d) The amounts represent cash receipt in advance for the cemetery service, and the balance will be recognised as revenue in the statement of profit or loss over the service period.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the financial year ended 31 December 2019 (the “**Year**”), the Group engaged in trading business, property development and investment business, money lending business, cemetery business and mobile application business.

During the Year, the Group recorded revenue of approximately HK\$3,438,000 (2018: approximately HK\$4,427,000). The decrease in revenue was mainly due to lower revenue generated from the trading business during the Year. The Group’s loss attributable to shareholders decreased to approximately HK\$92,278,000 for the Year (2018: approximately HK\$105,087,000). Such decrease in the loss was mainly attributable to: (i) loss on disposal of an associate of approximately HK\$10,398,000 (2018: gain on disposal of approximately HK\$1,050,000); (ii) no impairment loss on intangible asset – operating right of the cemetery (2018: approximately HK\$73,171,000); (iii) increase in impairment loss of interest in an associate of approximately HK\$32,376,000; and (iv) loss on fair value change of investment properties of approximately HK\$4,593,000 (2018: gain on fair value change of approximately HK\$5,700,000).

#### **Trading Business**

During the Year, the Group generated revenue from the trading business of approximately HK\$1,022,000 (2018: approximately HK\$3,001,000). The revenue was generated from an indirect non-wholly owned subsidiary, incorporated in the People’s Republic of China (the “**PRC**”), specializing in furniture design including window frames, doors and wardrobes customized design and manufacture.

The Group has imported a batch of Onyx Marbles, a type of construction materials from the Republic of Turkey (“**Turkey**”) to the PRC. Although no sales has been recorded during the Year, this batch of Onyx Marbles is ready for sales and marketing. We will continue to assess the market appeal of the Onyx Marbles and seek for the opportunity of increasing the volume of purchase in the next batch of shipping, as the economies of scale is key to improve the gross profit of the trading of Onyx Marbles.

#### **Property Development and Investment**

The Group holds properties located in Hong Kong and Turkey. Properties in Hong Kong and certain properties in Turkey are held for investment purpose to earn rental income and with a view to capture any possible future capital appreciation. During the Year, the Group generated rental income of approximately HK\$2,064,000 (2018: approximately HK\$1,334,000), with approximately HK\$1,176,000 (2018: approximately HK\$1,114,000) and HK\$888,000 (2018: approximately HK\$220,000) generated from investment properties situated in Hong Kong and Turkey respectively.

In addition to properties leasing, during the year ended 31 December 2019, Boyracı Yapı İnşaat ve Taahhüt Gayrimenkul Yatırım Anonim Şirketi (“**Boyracı Construction**”) has entered into two sales and purchase agreements with independent third parties to dispose 1.5 residential properties in an aggregate consideration of USD680,000 (approximately HK\$5,104,000) (2018: nil). The Group has sold the properties through Turkey property investment immigration program and it has generated other income of approximately HK\$811,000 for the property investment and development business on top of the rental income. The Group will continue to make tremendous efforts in attracting potential buyers in PRC, Hong Kong and Turkey in the future.

The Group expands its business in building construction, property development, trading of construction materials and the related consultancy services. Having acquired 30% equity interest in Boyracı Construction from Mr. Osman Boyracı (the “**Vendor**”), a company incorporated in Turkey that principally engaged in the construction, contracting works, construction materials trade, property leasing, in 2016, the Group has gathered confidence in the potential of the property development market in Turkey. Thus, in 2017, the Group entered into an agreement to acquire a further 30% equity interest in Boyracı Construction in a bid to further capture its bright potential business development. The transaction was completed on 1 October 2018.

Boyracı Construction has 7 construction projects located in Kadıköy, including 5 completed projects namely Koza Apartmanı, Sibel Apartmanı, Akasya Apartmanı, Evim Apartmanı and Doğa Apartmanı, and 2 under-construction projects, namely Project Iclaliye and Project Hurrem. Kadıköy is a large, populous, and cosmopolitan district in the Asian side of Istanbul, Turkey. The place has some of the most attractive shopping areas in the city. Kadıköy apartments benefit from modern, stylish builds, excellent facilities and good travel links to the central city. Today, Kadıköy remains as one of the most strategic places both for business and property investment in Istanbul.

The 5 completed projects have a total construction area of 17,155m<sup>2</sup> consisting of 106 residential units, 15 commercial units and 90 carparks. After reconstruction, Boyracı Construction obtained 14 rewarded residential units and 2 rewarded commercial units with total gross saleable area of approximately 2,795m<sup>2</sup>. As at 31 December 2019, the fair values of the remaining rewarded units in respect of the 5 completed projects approximated to USD10,250,000.

The 2 under-construction projects have a total construction area of 4,696m<sup>2</sup> consisting 31 residential units, 7 commercial units and 26 carparks. After reconstruction, Boyracı Construction obtained 8 rewarded residential units and 3 rewarded commercial units with total gross saleable area of approximately 1,421m<sup>2</sup>. The carrying value of the rewarded units in respect of the 2 under-construction projects approximated to USD4,531,000 as at 31 December 2019. Upon the completion of Boyracı Construction further acquisition in October 2018, the projects were originally expected to be completed by 30 September 2019. However, the 2 under-construction projects are still in progress and the contingent obligation to issue promissory note of approximately USD1,111,000 has been lapsed on 30 September 2019. Based on the management's latest assessment, the 2 under-construction projects are expected to be completed by mid 2020 and the issue of potential new promissory note is still under negotiation between the Company and the Vendor.

Leveraging on the expertise in property development in Turkey, the Group also seeks to act as a property trader and consultant to provide property development related services in the future. The Group has been in negotiations to provide such service to a project that develops public and private housing. The Company will make further announcement(s) as and when necessary.

The management considers that the property development and investment business will become a significant part of the Group's business as a whole in its future plan.

### **Cemetery Business**

The Group has been engaged in the operation of a cemetery located in Zhecheng County in Henan Province of PRC (the "Cemetery"). The Cemetery has obtained the operating right for a term up to 1 July 2050 and the required operating permit, subject to annual renewal for the permission to operate the Cemetery.

### *The Operations of the Cemetery Business*

The progress of the Cemetery Business has fallen behind the original schedule as described in the circular of the Company dated 7 November 2015. Although the reallocation and demolition of old graves took excessive time than originally expected, this task has been completed. However, the construction of the cemetery and the related facilities have not yet been completed in 2018 and up to the date of this announcement. The related facilities including the funeral parlor and the cremation machine do not belong to Zhecheng County Xianganling Cemetery (柘城縣襄安陵公墓) (the “**Cemetery Operator**”), the operator of the Cemetery Business. The operation of funeral parlor and cremation machine are governed and owned by the civil affairs bureau of Zhecheng Government. The Cemetery Operator received a letter in early August of 2018 from the funeral parlor that the funeral parlor operating party has been communicated with the local government about the refurbishment plan. As the funeral parlor and the cremation machine had gone through many repairs in the past two years and were not available for use most of the time in 2018, the Cemetery Operator considers that this is likely the main reason for the intention of the funeral parlor to refurbish the funeral parlor and the cremation machine to improve the facilities. The Cemetery Operator understands that fund for refurbishment of funeral parlor and cremation machine estimated to be RMB14,000,000 is sourced from the local government bureau’s internal budget. In general, once there is plan to refurbish the funeral parlor and cremation machine, local government bureau would invite contractors to submit tenders. In reference to “Zhe Fa Gai Tou Zi (2018) No.8”(柘發改投資(2018)8號), it was announced in the Zhecheng Government’s website dated 29 August 2018 that the funeral parlor shall commence the construction in 2018 and shall complete in 2019. The Cemetery Operator observed that as of the end of 2018, the local funeral parlor and cremation machine have been demolished evidencing that the funeral parlor operating entity may have commenced the refurbishment project. The Cemetery Operator is in the progress in obtaining further news from the funeral parlor operating entity and the local civil affairs bureau or department as to the stage of refurbishment plan and the expected completion date. Prior to the completion of the refurbishment plan, the Cemetery Operator does not expect that the business operation of the Cemetery Business will show significant improvement.

### *The Cemetery*

The location of the Cemetery is in the remote area outside Zhecheng County and it is not well known locally. Based on the historical statistics available in 2019, Zhecheng County is a small county with a population of about 1,044,000 in 2018. Rate of cremation in Henan Province is less than 20% of the total deceased population in 2018 and has decreased by 53% when compared to the figure found in 2012.

It is under the Funeral Management Regulations (《殯葬管理條例》) released in 2005 that the deceased should be cremated for burial if there is cremation facility closed by. Although the local government has been educating the local community to have cremation service but law reinforcement may not be as effective. There is still strong cultural influence that burying without cremation is preferred and spending large amount of money to have lavish cemetery units for the deceased may be beyond the reach of most of the locals. At present, the unstable availability of the funeral parlor and cremation machine during the past two years and its recent demolishment, and the lack of one-stop service would make it even more difficult to attract local community to use the Cemetery in the near future. The Company is considering to improve its performance of the Cemetery Business by other measures such as placing advertisement and distribution of leaflets at hospitals or elderly homes to let the local community becoming more aware of the Cemetery.

With the more stringent measures carried out by the government such as the release of Notice of the “Special Remediation Action Plan for Outstanding Problems in the Funeral Area of Henan Province” (《河南省殯葬領域突出問題專項整治行動方案的通知》) dated 7 August 2018. This Notice asked for local government to perform self-review and provide reports for any incompliance to the Civil Affairs Bureau of the Henan Province. If there is any incompliance identified, working group would be formed to examine the conditions, identify issues and facilitate the execution of any solution. In respect of the operation of the cemeteries, land bureau of provinces would provide more resources in dealing with the expropriation of land process. There would be more support from the government to improve local funeral parlor and cremation facilities. With the possible assistance from the local government, the Company shall take more active approach to follow up the transfer of land use right and the demand of cemetery units may reach our expected level in one to two-year time as the Cemetery is the only approved operating entity in Zhecheng County. The Company will allocate more resources to the Cemetery Business should the performance of Cemetery Business improve. At the same time, the Company shall strengthen its communication with the funeral parlor operating entity and local civil affairs bureau or department to facilitate the reinstalling of the funeral parlor and cremation machine.

During 2018, in existence of the unfavourable business condition which may not turn around in very short period of time, the Group re-assessed its position in respect of the Cemetery Business by taking the following measures:

- (a) the Company would maintain the operation without large amount of capital expenditure until the business environment is improved, for example, the completion of the reinstalling of the funeral parlor and cremation machines; and
- (b) the Company appointed an independent professional valuer to carry out a valuation of the intangible asset as of 31 December 2018 which is the operating permit of the Cemetery with reference to the current operating level as it has been below the Group's original schedule as described in the circular of the Company dated 7 November 2015. It has not generated cash flow as originally expected, although it may be temporary, partly affected by the latest development of the demolition of the funeral parlor and cremation machine.

As a result of the valuation, an impairment loss of approximately HK\$73,171,000 on the intangible asset – operating right was recognised for the year ended 31 December 2018 due to (i) parts of related facilities had been under construction which affected the performance; and (ii) certain unfavourable business condition were identified.

As at 31 December 2019, the intangible asset – operating right was subject to the annual impairment assessment, and the recoverable amount was higher than its carrying value. The management is not aware of any impairment indicators and no provision for impairment loss is accounted for the Year.



### *The land use rights of the land on which the Cemetery is situated*

The Company has consulted an independent PRC legal professional about the detailed procedures and time estimation in obtaining of the land use rights of the land on which the Cemetery is situated (the “**Land**”). As advised, there are two processes, namely the expropriation of land and the transfer of land use right. The expropriation of land process should take place before the transfer of land use right process.

The Board has been monitoring the Cemetery Business since the acquisition of the Cemetery and weighing the costs, benefits and relevant risk, before it would take further steps to initiate the transfer of land use right. The Company has been in discussion with the Cemetery Operator on its concern on how to ensure that the Cemetery Operator would obtain the bid at the lowest possible risk and maintain its operating right of the Cemetery. Furthermore, as described above, in view of the less favorable business environment following the acquisition, the Company would like to take its pace to gather more information before making decision on the transfer of the land use right of the Land as the Company would have to pay the land transfer fee and the government levies.

As provided in the Company’s circular dated 7 November 2015 regarding the acquisition of the Cemetery, the Cemetery Operator and the land use right owner have entered into an agreement for the acquisition of the land use right with the land compensation of RMB250,000 per mu by 31 December 2016. The contract has expired on 31 December 2016 and the land compensation per mu should be re-accessed with reference to the assessment provided by the local land bureau. The Company shall work with the land use right owner to start the land expropriation application as described above.

It has started the first stage of land expropriation process in the first quarter of 2019. Assuming the hostile business condition would turn around, funeral facilities such as the funeral parlor and cremation machine would be reinstalled and land use right would be completed by 2020, the full scales of cemetery units utilization will eventually be recorded. From the completion of the acquisition of the operating right of the Cemetery up to 31 December 2019, 50 cemetery units have been generating service income for the Cemetery Business and deposits of another 7 cemetery units have been received.

Subsequent to the reporting period and up to the date of this announcement, the Group has not yet obtained any new service contract.

With the completion of construction work and obtaining land use right by 2020, it is anticipated that the cemetery will be having better performance in the future.

## **Money Lending Business**

During the Year, Ottoman Evershine Finance Limited (“**OE Finance**”), a wholly-owned subsidiary of the Company, has renewed the money lenders license granted by the licensing court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

During the Year, OE Finance has granted a loan of approximately USD366,000 to an independent third party. The loan is secured by the borrower’s property and personal guarantee, and carries interest rate of 12% per annum with loan period of ten years.

During the Year, the interest income contributed from the money lending business was approximately HK\$254,000 (2018: approximately HK\$29,000). The Group will continue to strengthen the money lending business by broadening the customer base but will adopt a prudent strategy when approving new loans so as to balance the profitability and the credit risk involved.

Before approval of any loan applications, the Group would assess the borrower’s credit quality via: 1) reviewing the background and credit history of the borrower; 2) understanding the uses of fund and means of repayment by the borrower; and (3) performing asset check of the borrower. Borrowers shall be offered a fixed rate of interest on the loans on an individual basis depending on each result of credit assessment and collaterals offered by the respective borrowers, if any.

## **Mobile Application Business**

In 2017, the Group acquired 40% equity interest in First Surplus Investments Limited (“**FS Group**”). FS Group and its subsidiaries are principally engaged in development of mobile games, game publishing, applications, related intellectual property and platform, and provision of related solutions. FS Group 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.

During the Year, the Group has recorded a share of loss of approximately HK\$6,069,000 (2018: approximately HK\$3,564,000).

During the Year, the Group had performed an impairment assessment on the interest in FS Group and the recoverable amount of it was lower than its carrying amount. As a result, the Group recognised an impairment of approximately HK\$35,260,000 (2018: approximately HK\$2,884,000) during the year ended 31 December 2019 since the management of the FS Group realised that the performance of mobile games and application business was worse than expected due to current economic environment in Hong Kong.

## **Other Corporate Income, Expenses and Finance Costs**

During the Year, the corporate expenses of approximately HK\$9,742,000 not allocated to business segments (2018: approximately HK\$18,889,000) was mainly attributable to decreased operating expense including legal and professional fee, advertisement and nil one-off other receivable impairment in 2019.

Finance costs for the Year amounted to approximately HK\$17,129,000 (2018: approximately HK\$15,465,000), the increase was mainly attributable to the second mortgage borrowings totaling HK\$20,000,000 carrying interest rate of 16.8%.

## **DIVIDEND**

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: nil).

## **FINANCIAL POSITION**

### **Charges on Group's Assets**

As at 31 December 2019, charges on Group's assets include four term loans and a lease liability:

- (1) the carrying amount of two term loans amounts to HK\$59,000,000 which carries interest at 9% per annum with repayment period of 16 months that were secured by i) first legal charges of the two properties acquired by the Company which was completed on 27 June 2016, with carrying amount of approximately HK\$95,117,000 as at 31 December 2019; and (ii) an unlimited personal guarantee given by Mr. Chiu Ngai Hung, a substantial shareholder of the Company;
- (2) the carrying amount of two term loans amounts to HK\$20,000,000 which carries interest at 16.8% per annum with repayment period of 5 months that were secured by i) second legal charges of the two properties acquired by the Company which was completed on 27 June 2016, with carrying amount of approximately HK\$95,117,000 as at 31 December 2019; and (ii) an unlimited personal guarantee given by Mr. Chiu Ngai Hung, a substantial shareholder of the Company; and
- (3) the carrying amount of a lease liability approximately to HK\$570,000 which carries interest at 3.5% per annum. The maturity date of the lease liability is on 24 March 2020. The loan was secured by a motor vehicle with net book value of approximately HK\$698,000 as at 31 December 2019. Subsequent to the reporting period, the lease liability was fully repaid and the motor vehicle was sold to an independent third party on 17 March 2020.

## **Liquidity and Financial Resources**

As at 31 December 2019, the total assets of the Group was approximately HK\$304,869,000 (2018: approximately HK\$384,564,000), including cash and bank balances of approximately HK\$812,000 (2018: approximately HK\$3,573,000).

## **Capital Structure**

The number of issued shares of the Company as at 31 December 2019 and 31 December 2018 were 1,803,541,356 and 1,802,677,356 shares, respectively.

On 13 November 2018, the Company and Macquarie Bank Limited (the “**Subscriber**” or the “**Noteholder**”) entered into the conditional subscription agreement, pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to issue the convertible notes in the principal amount up to HK\$300,000,000 (the “**Macquarie CN**”).

The Macquarie CN was structured in two tranches. Each tranche carried an aggregate principal amount of HK\$150,000,000 and bore 1% interest per annum with maturity date on the second anniversary of the closing date. Each convertible note entitled the Noteholder to convert the Macquarie CN into shares at any time during the conversion period at the conversion price, provided that no conversion right might be exercised at a conversion price lower than the floor price (which is subject to adjustments). The conversion price represented 92% of the volume weighted average price of the shares as traded on the relevant stock exchange on the trade day immediately preceding the relevant conversion date.

On 21 February 2019, all conditions precedents set out in the subscription agreement in relation to the Macquarie CN were fulfilled and completion of the issuance of the first tranche of the Macquarie CN in the principal amount of HK\$150,000,000 was taken place on the same date. The Macquarie CN will mature on the second anniversary date i.e. 20 February 2021.

Details were disclosed in the Company’s announcements and circular dated 13 November 2018, 3 December 2018, 31 December 2018 and 15 February 2019.

On 25 February 2019, the Company received conversion notice in respect of the exercise of part of the conversion rights attached to the Macquarie CN. On the same day, the Company allotted and issued 864,000 shares at HK\$1.160488 per share.

On 16 October 2019, the Company received a notice (i.e the Relevant Event Put Exercise Notice) from the Noteholder that first tranche of Macquarie CN with outstanding principal of HK\$149,000,000 was redeemed on 13 November 2019 at 98% (i.e. the Relevant Event Put Date pursuant to the subscription agreement). For details, please refer to the announcement of the Company dated 23 October 2019.

## **LITIGATION**

On 16 October 2019, the Company received a Relevant Event Put Exercise Notice (the “**Notice**”) issued by Macquarie Bank Limited pursuant to the subscription agreement dated 13 November 2018. Pursuant to the Notice, the Macquarie CN was redeemed on the on 13 November 2019. The Noteholder terminated the subscription agreement alleging that the closing price of shares stayed below the Floor Price for at least 5 consecutive trading days, there has been material breach of, in any material respect, any of the warranties and representations contained in the agreement or any material failure to perform any of the Issuer’s undertaking or agreements in the agreement. Therefore, the Noteholder requested the Company to pay a cancellation fee of HK\$2,990,000.

On 21 January 2020, subsequent to the reporting period, the Noteholder issued a writ of summons and indorsement of claim at the District Court of the Hong Kong Special Administrative Region (the “**Writ**”) against the Company. Pursuant to the Writ, the Noteholder claims against the Company, amongst others, a sum of HK\$2,990,000 being the sum due and owing to the Noteholder by the Company pursuant to clause 1.4 of the subscription agreement.

On 27 March 2020, the Noteholder agreed to settle the aforesaid matters at HK\$300,000. As such, the Group made a provision accordingly in relation to an estimated cash outflow in relation to the such matters for the year ended 31 December 2019.

## **COMMITMENTS**

The Group had total future lease receivable under non-cancellable operating leases with it tenants incurred for the year ended 31 December 2019 was approximately HK\$784,000 (2018: approximately HK\$882,000) and capital commitment of approximately HK\$13,401,000 (2018: approximately HK\$7,753,000).

## **CONTINGENT LIABILITIES**

Save as any contingent liabilities which may arise from any of the litigation disclosed in this unaudited result announcement, the Group had no other material contingent liabilities as at 31 December 2019.

## **FOREIGN CURRENCY RISK**

The Group’s major business operations and investments are in the PRC, Hong Kong and Turkey. All the outstanding balances of borrowings and obligations under finance leases are denominated in Hong Kong dollar. 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.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2019, the Group had approximately 43 (2018: approximately 46) full-time employees. Total staff cost (including Directors' remuneration) were approximately HK\$12,176,000 for the year ended 31 December 2019 (2018: approximately HK\$10,734,000). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

The Group provides competitive remuneration package to employees with the share option scheme. The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company had maintained the public float as required under the GEM Listing Rules.

## **CORPORATE GOVERNANCE**

The Group is committed to achieving high standard of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles and code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

Throughout the year ended 31 December 2019, the Company has complied with most of the code provisions of the CG Code, save for deviations from code provisions A.2.1 and A.4.1 which are explained below.

### **Chairman and Chief Executive Officer**

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company 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 year ended 31 December 2019, there was no chairman (the "Chairman") and there was no chief executive officer of the Company (the "CEO"). The Board will keep reviewing the current structure of the Board from time to time and should a candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post of the Chairman and the CEO as appropriate and will make further announcement in due course.

## **Appointment, Re-election and Removal of Directors**

According to the Articles of Association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years.

Under the 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 Director has 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 offer themselves for re-election at the annual general meeting at least once for every three years in accordance with the Articles of Association. The Company believes such practice meets the same objective and no less exacting than those prescribed under code provision A.4.1.

## **Audit Committee**

The Company has established an audit committee of the Company (the “**Audit Committee**”) with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the Audit Committee are to review and supervise the Group’s financial and accounting policies and practices, financial controls, internal controls and risk management systems. During the year ended 31 December 2019, the Audit Committee has performed its duties, reviewed the effectiveness of the internal control system of the Company and reviewed the re-appointment of the external auditors. The unaudited quarterly and interim together with the unaudited annual results announcement of the Company in respect of the year ended 31 December 2019 have also been reviewed by the Audit Committee.

## **EVENTS AFTER THE REPORTING PERIOD**

Reference is made to the Company’s announcement on 3 January 2020, the Company has entered into a subscription agreement with the subscriber, pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 360,708,000 subscription shares at the subscription price of HK\$0.026 per subscription share. The subscription shares represent (i) approximately 20.00% of the existing total number of issued shares, being 1,803,541,356 shares, as at 3 January 2020; and (ii) approximately 16.67% of the enlarged total number of issued shares of 2,164,249,356 shares immediately following completion, assuming that there will be no change in the total number of shares in issue (other than the issue of the subscription shares) between the date of announcement and completion.

All the conditions under the subscription agreement have been fulfilled and completion of the subscription took place on 20 February 2020. A total of 360,708,000 subscription shares were allotted and issued by the Company to the subscriber at the subscription price of HK\$0.026 per subscription share pursuant to the terms and conditions of the subscription agreement.

The net proceeds (after deducting the related expenses) from the subscription is approximately HK\$9.32 million. It is intended that the net proceeds from the subscription will be applied for the repayment of the outstanding indebtedness and the general working capital of the Group.

Details were disclosed in the Company's announcements dated 3 January 2020, 3 February 2020, 12 February 2020 and 20 February 2020.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of PRC to combat the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the Audit Committee of the Company.

## **FURTHER ANNOUNCEMENT**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting will be held; (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting, and (iv) the period during which the registers of members holding ordinary shares of the Company respectively will be closed in order to determine entitlement to receive the proposed final dividend (if any). In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

**The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company**

By order of the Board  
**Evershine Group Holdings Limited**  
**Hung Tat Chi, Alan**  
*Executive Director*

Hong Kong, 31 March 2020



*As of the date hereof, the executive Directors are Mr. Hung Tat Chi Alan, Mr. Ling Ko Yin Jason and Ms. Keung Yat Fai Janice; 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.*

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcement” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the website of the Company at <http://www.evershinegroup.com.hk>.*