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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 2020

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 2020 together with the audited comparative figures for the year ended 31 December 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Revenue	3	4,155	3,438
Cost of sales		<u>(780)</u>	<u>(1,032)</u>
Gross profit		3,375	2,406
Other income, (loss)/gain, net		6,071	(46,702)
Share of loss of associates		(24,274)	(6,082)
Impairment loss on an intangible asset		(23,814)	–
Operating and administrative expenses		<u>(15,618)</u>	<u>(25,051)</u>
Loss from operations		(54,260)	(75,429)
Finance costs	4	<u>(17,830)</u>	<u>(17,129)</u>
Loss before taxation	4	(72,090)	(92,558)
Taxation	5	<u>(111)</u>	<u>(523)</u>
Loss for the year		<u>(72,201)</u>	<u>(93,081)</u>
Attributable to:			
Owners of the Company		(71,103)	(92,278)
Non-controlling interests		<u>(1,098)</u>	<u>(803)</u>
		<u>(72,201)</u>	<u>(93,081)</u>
Loss per share	6		
Basic and Diluted		<u>(3.36) cents</u>	<u>(5.12) cents</u>

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Loss for the year	<u>(72,201)</u>	<u>(93,081)</u>
Other comprehensive (expense)/income for the year		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	(38,951)	(12,552)
Release of exchange reserve upon derecognition of an associate	–	2,728
Share of exchange differences of associates	27	(1,077)
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>(6)</u>	<u>(2)</u>
Other comprehensive (expense)/income for the year, net of income tax	<u>(38,930)</u>	<u>(10,233)</u>
Total comprehensive expense for the year	<u>(111,131)</u>	<u>(103,314)</u>
Attributable to:		
Owners of the Company	(102,362)	(98,671)
Non-controlling interests	<u>(8,769)</u>	<u>(4,643)</u>
Total comprehensive expense for the year	<u><u>(111,131)</u></u>	<u><u>(103,314)</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		47,719	49,580
Right-of-use assets		4,028	4,775
Investment properties		42,100	135,197
Intangible assets		12,546	37,276
Interests in associates		3,036	27,280
Deferred tax assets		188	359
		<u>109,617</u>	<u>254,467</u>
Current assets			
Inventories		102,030	–
Properties under construction		–	35,505
Trade and other receivables	9	14,544	14,064
Loan and interest receivables		3,070	2,767
Cash and cash equivalents		181	812
		<u>119,825</u>	<u>53,148</u>
Current liabilities			
Trade, other payables and contract liabilities	10	32,281	20,332
Borrowings		111,306	110,000
Lease liabilities		56	2,589
Promissory notes		35,435	33,622
Tax payable		1	–
Provision of litigation		–	300
		<u>179,079</u>	<u>166,843</u>
Net current liabilities		<u>(59,254)</u>	<u>(113,695)</u>
Total assets less current liabilities		<u>50,363</u>	<u>140,772</u>

	<i>Notes</i>	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Other payables	<i>10</i>	15,009	8,120
Lease liabilities		4,511	1,961
Borrowings		1,300	–
Promissory notes		35,930	31,580
Provision for employment benefits		3	49
Deferred tax liabilities		14,672	18,382
		<u>71,425</u>	<u>60,092</u>
NET (LIABILITIES)/ASSETS		<u>(21,062)</u>	<u>80,680</u>
CAPITAL AND RESERVES			
Share capital		1,098,341	1,088,962
Reserves		(1,149,835)	(1,047,473)
Total equity attributable to owners of the Company		(51,494)	41,489
Non-controlling interests		30,432	39,191
TOTAL EQUITY		<u>(21,062)</u>	<u>80,680</u>

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 2020, the Group had recorded net current liabilities of approximately HK\$59,254,000 and net liabilities of \$21,062,000. 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"). On 14 April 2020, the Company entered an extension agreement with the noteholder of PN1 for the extension of maturity date to 30 November 2022. Pursuant to the extension agreement, period as the changes of maturity date, all terms and conditions of the PN1 would remain unchanged.
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 potential right issue which could increase cashflow for the Group.

APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institution of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year 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 consolidated financial statements.

(b) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendment to HKFRS 16	COVID-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020	1 January 2022

The directors anticipate that the application of all new and amendments to HKFRSs in issue but not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Service income from cemetery	66	98
Trading business	1,168	1,022
Service income from construction	660	–
	<u>1,894</u>	<u>1,120</u>
Revenue from other sources:		
Rental income	1,940	2,064
Interest income from money lending business	321	254
	<u>2,261</u>	<u>2,318</u>
	<u>4,155</u>	<u>3,438</u>
Timing of revenue recognition:		
A point in time	1,828	1,022
Over the time	66	98
	<u>1,894</u>	<u>1,120</u>

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(a) Finance costs		
Interest on lease liabilities	341	372
Interest on promissory notes	6,162	6,220
Interest on convertible notes	–	1,082
Interest on borrowings	11,327	9,455
	<u>17,830</u>	<u>17,129</u>
(b) Staff costs (including Directors' remuneration)		
Contributions to defined contribution retirement plans	145	290
Social security costs	164	105
Salaries, wages and other benefits	6,901	11,781
	<u>7,210</u>	<u>12,176</u>
(c) Other items		
Depreciation of property, plant and equipment	2,957	2,880
Depreciation of right-of-use assets	306	377
Auditors' remuneration – current year	780	977
Operating lease charges in respect of property rental	–	1,082
Amortisation of intangible assets	916	1,222
Impairment losses on an intangible asset	23,814	–
Costs of inventories	–	914
Direct outgoings from investment properties that generated rental income	105	130
Direct outgoings for investment properties that were vacant during the year	85	86
	<u>85</u>	<u>86</u>

5. TAXATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	–	–
– PRC Enterprise Income tax	–	–
– Turkey Corporate Income Tax	<u>111</u>	–
	–	–
Deferred tax expense	<u>–</u>	<u>523</u>
Tax expense	<u><u>111</u></u>	<u><u>523</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss for the purposes of basic and diluted loss per share		
Loss for the year attributable to the shareholders of Company	<u><u>(71,103)</u></u>	<u><u>(92,278)</u></u>
	2020 <i>'000 shares</i>	2019 <i>'000 shares</i>
Number of shares		
Weighted average number of share for the purposes of basic and diluted loss per share	<u><u>2,113,987</u></u>	<u><u>1,803,411</u></u>

The diluted loss per share for the years ended 31 December 2020 and 2019 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 2020 (2019: 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:

	2020					
	Trading <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Mobile application <i>HK\$'000</i>	Cemetery <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers	<u>1,167</u>	<u>1,940</u>	<u>321</u>	<u>–</u>	<u>66</u>	<u>3,494</u>
Segment (loss)/profit	<u>241</u>	<u>(15,912)</u>	<u>570</u>	<u>(9,573)</u>	<u>(1,906)</u>	<u>(26,580)</u>
Unallocated corporate income						851
Unallocated corporate expenses						(28,531)
Finance costs						<u>(17,830)</u>
Loss before taxation						<u>(72,090)</u>
	2019					
	Trading <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Mobile application <i>HK\$'000</i>	Cemetery <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)/profit	<u>(2,851)</u>	<u>(5,761)</u>	<u>166</u>	<u>(6,069)</u>	<u>(2,899)</u>	<u>(17,414)</u>
Unallocated corporate income						17,386
Unallocated corporate expenses						(75,401)
Finance costs						<u>(17,129)</u>
Loss before taxation						<u>(92,558)</u>

9. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade debtors, net of allowance for credit losses (a)&(b)	1,094	185
Other receivables	6,890	7,665
Rental and other deposits	4,284	5,083
Prepayments	2,276	1,131
	<u>14,544</u>	<u>14,064</u>

(a) The following shows the trade debtors as at 31 December 2020 and 2019:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade debtors	1,289	390
Less: Allowance for credit losses	(195)	(205)
	<u>1,094</u>	<u>185</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	1,094	22
More than 1 month but within 3 months	–	–
More than 3 months but within 6 months	–	–
More than 6 months	–	163
	<u>1,094</u>	<u>185</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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current:		
Trade creditors (a)	6,578	2,499
Other payables (b)	9,048	3,598
Financial liabilities measured at amortised cost	15,626	6,097
Accrued charges	14,231	7,157
Other taxes and government surcharges payables	672	4,145
Contract liabilities (c) & (d)	1,752	2,933
	<u>32,281</u>	<u>20,332</u>
Non-Current:		
Other payables (b)	<u>15,009</u>	<u>8,120</u>

Other than promissory note interest payable, amount due to Lau Yu, a former director and amount due to Osman Boyraci, a shareholder, all of the trade and other payable 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	–	3
More than 1 month but within 3 months	–	1
More than 3 months but within 6 months	–	2
More than 6 months but within 1 year	4,678	593
Over 1 year	1,900	1,900
	<u>6,578</u>	<u>2,499</u>

(b) As at 31 December 2020, approximately HK\$2,372,000 (2019: approximately HK\$2,989,000) 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 2020 (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\$4,155,000 (2019: approximately HK\$3,438,000). The Group’s loss attributable to shareholders decreased to approximately HK\$71,103,000 for the Year (2019: approximately HK\$92,278,000). Such decrease in the loss was mainly attributable to: (i) impairment loss on intangible asset – operating right of the cemetery of approximately HK\$23,814,000 (2019: Nil); (ii) increase in impairment loss of interest in an associate of approximately HK\$14,701,000 (2019: HK\$32,376,000); and (iii) loss on fair value change of investment properties of approximately HK\$12,946,000 (2019: loss on fair value change of approximately HK\$4,593,000).

Trading Business

During the Year, the Group generated revenue from the trading business of approximately HK\$1,167,000 (2019: approximately HK\$1,022,000). The revenue was generated from selling a batch of Onyx Marbles, a type of construction materials from the Republic of Turkey (“**Turkey**”) to the PRC.

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\$1,940,000 (2019: approximately HK\$2,064,000), with approximately HK\$1,254,000 (2019: approximately HK\$1,176,000) and HK\$686,000 (2019: approximately HK\$888,000) generated from properties situated in Hong Kong and Turkey respectively.

In 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). 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, namely Koza Apartmanı, Sibel Apartmanı, Akasya Apartmanı, Evim Apartmanı, Doğa Apartmanı, and Iclaliye Apartmanı and Hurrem Apartmanı. 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 7 completed projects have a total construction area of 21,851m² consisting of 137 residential units, 22 commercial units and 116 carparks. After reconstruction, Boyracı Construction obtained 27 rewarded residential commercial units with total gross saleable area of approximately 3,802m².

Upon the completion of Boyracı Construction further acquisition in October 2018, the projects of Iclaliye Apartmanı and Hurrem Apartmanı were originally expected to be completed by 30 September 2019. These 2 construction projects were completed in May 2020 and in November 2020 respectively 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 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. The funeral parlor operating entity may have commenced the refurbishment project in 2019. At the end of 2020, the Zhecheng Government had the tender announcement for the cremation machine and funeral parlor facilities. 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\$96,985,000 on the intangible asset – operating right was recognised for the year ended 31 December 2020 due to (i) parts of related facilities had been under construction which affected the performance; and (ii) certain unfavourable business conditions were identified.

As at 31 December 2020, the intangible asset – operating right was subject to the annual impairment assessment, and the recoverable amount was higher than its carrying value. There is provision for impairment loss of HK\$23,814,000 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 2020, 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.

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\$321,000 (2019: approximately HK\$254,000). 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\$9,573,000 (2019: approximately HK\$6,069,000).

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\$14,701,000 (2019: approximately HK\$3,526,000) during the year ended 31 December 2020 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\$28,531,000 not allocated to business segments (2019: approximately HK\$75,401,000) was mainly attributable to decreased operating expense including legal and professional fee, advertisement and nil one-off other receivable impairment in 2020.

Finance costs for the Year amounted to approximately HK\$17,830,000 (2019: approximately HK\$17,129,000), 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 2020 (2019: nil).

FINANCIAL POSITION

Charges on Group's Assets

As at 31 December 2020, 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 2020; and (ii) an unlimited personal guarantee given by Mr. Chiu Ngai Hung;
- (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 2020; and (ii) an unlimited personal guarantee given by Mr. Chiu Ngai Hung; and

Liquidity and Financial Resources

As at 31 December 2020, the total assets of the Group was approximately HK\$229,442,000 (2019: approximately HK\$307,615,000), including cash and bank balances of approximately HK\$181,000 (2019: approximately HK\$812,000).

Capital Structure

The number of issued shares of the Company as at 31 December 2020 and 31 December 2019 were 2,164,249,356 and 1,803,541,356 shares, respectively.

LITIGATION

1. Petition

3.1 Background of the Petition

On 5 August 2020, the solicitors for the Petitioner served a statutory demand on the Company for payment pursuant to section 178(1)(a) of the Companies (WUAMP) Ordinance demanding the Company to pay the alleged outstanding principal amount of the Convertible Notes of HK\$30,000,000 and the accrued interests within 21 days.

As alleged by the Petitioner, the repayment deadline has lapsed, the Company did not satisfy the Petitioner's demand on the alleged outstanding principal amount and the accrued interests or any part thereof, the Petitioner had commenced a winding up proceedings on 4 January 2021. The Company claimed the alleged outstanding debt was HK\$35,013,699 (being the outstanding principal amount of HK\$30,000,000 and interest of HK\$5,013,699 up to 4 August 2020).

3.2 The subject debit under the Petition

According to the Petition, pursuant to an instrument dated 3 June 2016, the Company issued the Convertible Notes in the principal amount of HK\$30,000,000 to the Petitioner as subscriber pursuant to a subscription agreement dated 16 May 2016. Details of the subscription agreement dated 16 May 2016 and the Convertible Notes are set out in the announcement of the Company dated 16 May 2016. The subscription price payable by the Petitioner under the subscription agreement for the Convertible Notes was HK\$25,800,000, representing 86% of the face value of the aggregate principal amount of the Convertible Notes.

The maturity date of the Convertible Notes was on the second anniversary of the date of issue of the Convertible Notes and it did not bear any interest. The Convertible Notes were convertible into new Shares at the initial convertible price of HK\$0.40 per conversion share. The Convertible Notes may be assigned or transferred to any transferee subject to prior notification to the Company but they may not be assigned or transferred to any connected person of the Company without prior written consent of the Company.

On 3 June 2016, all the conditions set out in the aforesaid subscription agreement were fulfilled. The subscription was completed and the Convertible Notes were issued.

Pursuant to an amendment agreement dated 21 June 2018 and a deed of modification dated 28 June 2018 between the Company and the Petitioner, the maturity date of the Convertible Notes was extended from 3 June 2018 to 3 December 2018.

On 3 December 2018, the Company and the Petitioner entered into an extension agreement, pursuant to which, the Company and the Petitioner extended the maturity date of the Convertible Notes to 3 June 2019 and the Convertible Notes would no longer be convertible into new Shares after 3 December 2018 and the Convertible Notes would be treated as an indebtedness of the Company.

On 13 March 2019, the Company and the Petitioner entered into a confirmation letter pursuant to which, the outstanding balance of the Convertible Notes should bear an interest rate of 10% per annum from 4 December 2018 and interest shall be paid in every two months. The principal amount of the Convertible Notes of HK\$30,000,000 should be payable before 30 November 2019.

On 3 April 2019, the Company made a partial repayment of HK\$250,000 to the Petitioner.

On 28 May 2020, the Company, the Petitioner and Champion Wise Investments Limited (“**Champion Wise**”) entered into a redemption agreement pursuant to which (1) 50% principal amount of the Convertible Notes of HK\$15,000,000 with interest of approximately HK\$2,100,000 was assigned to Champion Wise. The amount due to Champion Wise by the Company is unsecured, interest free and repayable not earlier than 31 July 2021; and (2) the repayment date of the remaining principal and interest of approximately HK\$3,800,000 payable to the Petitioner was extended to 28 February 2022.

1.3 The Company's stance

The Company opposed the Petition on 4 March 2021. It was the intention of the Company to file further evidence in opposition once the board of directors has completed its review and made all necessary enquires on the matter.

1.4 The latest development

At the Petition callover hearing held on 8 March 2021 at the High Court of Hong Kong, the Court has directed that the Company shall file an affirmation in opposition by 5 April 2021; and the Petitioner shall file and serve an affirmation in reply within 28 days thereafter. The Court has also requested the Company to place a security money of HK\$3.9 million into the court which has already completed with.

The Board of Directors has considered that it would be the best interest of the Company and its shareholders to apply for a validation order in respect of the shares transfer of the Company. The Summons for the application of the validation order will be heard on 27 April 2021. Since the Company is requesting for a usual order and the Petitioner shall have no reason to oppose the said application.

COMMITMENTS

The Group had total future lease receivable under non-cancellable operating leases with its tenants incurred for the year ended 31 December 2020 was approximately HK\$Nil (2019: approximately HK\$784,000) and capital commitment of approximately HK\$13,401,000 (2019: approximately HK\$13,401,000).

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 2020.

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 2020, the Group had approximately 15 (2019: approximately 43) full-time employees. Total staff cost (including Directors' remuneration) were approximately HK\$7,210,000 for the year ended 31 December 2020 (2019: approximately HK\$12,176,000). 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 2020, 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 2020, 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 2020, 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 2020, 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 2020 have also been reviewed by the Audit Committee.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the Company’s announcements on 12 January 2021, 29 January 2021, 26 February 2021, 3 March 2021 and 9 March 2021. The Company has considered and has applied the validation order. At the Petition callover hearing held on 8 March 2021 at the High Court of Hong Kong, the Court gave directions that the Company shall file an affirmation in opposition by 5 April 2021; and the Petitioner shall file and serve an affirmation in reply within 28 days thereafter. The Court also required the Company to make payment into court in the sum of HK\$3.9 million being security money.

On 26 March 2021, the Company has complied with the Court’s Order by placing HK\$3.9 million into the Court.

The Company has case merit and shall proceed to strike out the Petitioner’s claim of HK\$30,000,000 against the Company. In the meantime, the Company shall explore possible settlement with the Petitioner in lieu of litigation.

An independent third party with vast banking network and long reputable history of commodity and derivative trading in overseas since 2012 will provide a standby facility to the Company and its group. The provisional terms have been agreed by the parties. It is anticipated that the signing of the relevant documents will take place shortly. It is agreed that a standby facility of HK\$100 million shall be granted to the Company and its group for future development of the existing projects and acquisition of new projects in Hong Kong, the PRC and Turkey. The Company’s subsidiary would dispose its 50% equity interest to this independent third party. This subsidiary would then become the Company’s joint operation. There shall be HK\$50 million allocated to the Company’s core businesses such as property development in Turkey, Hong Kong and the PRC as well as operating expenses. Remaining HK\$50 million would be maintained in this joint operation for its lending business.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2020 has not been completed due to the delay in auditing the Company's operation in Turkey due to a sudden loss of one of the accountants because of 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 2020 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
Lau Man Kin
Executive Director

Hong Kong, 31 March 2021

As of the date hereof, the executive Directors are Mr. Lau Man Kin and Mr. Au Chi Fung; the non-executive Director is Mr. Chan Wai Kit; and the independent non-executive Directors are Mr. Kong Cheuk Wing, Mr. Li Shun Fai and Mr. Shi Bo Han.

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>.