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*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 223)

## **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORTS FOR THE YEARS ENDED 31 MARCH 2021 AND 2022**

References are made to the annual reports of Elife Holdings Limited (the “**Company**”) for the year ended 31 March 2021 published on 27 July 2021 (the “**2021 Annual Report**”) and for the year ended 31 March 2022 published on 18 July 2022 (the “**2022 Annual Report**”, collectively, the “**Annual Reports**”). Unless otherwise defined in this announcement or the context requires, capitalised terms used herein shall have the same meanings as those defined in the Annual Reports.

As disclosed in the Annual Reports, on 11 September 2014, Sino Talent Holdings Limited (新圖集團有限公司) (“**Sino Talent**”) (as lender) (a wholly-owned subsidiary of the Company), Graceful Ocean International Group Holding Limited (德海國際集團控股有限公司) (“**Graceful Ocean**”) (as borrower) and Mr. Ma Haike (馬海科先生) (“**Mr. Ma**”) (as first guarantor) entered into a loan agreement (the “**Loan Agreement**”), whereby Sino Talent agreed to advance to Graceful Ocean a loan in the principal amount of HK\$18 million (the “**Loan**”) with an interest rate of 13% per annum. The Loan Agreement was supplemented by eight supplemental agreements between September 2014 and June 2020, which extended the maturity date of the Loan and adjusted the interest rate in respect of the Loan. A summary of the major terms of the Loan Agreement and the supplemental agreements is set out in the paragraph headed “Salient terms of the Loan Agreement and the supplemental agreements” below.

On 24 June 2019, Mr. Gao Feng (高峰先生) (“**Mr. Gao**”), an executive Director and the Vice-Chairman of the Board, entered into the second guarantee agreement with Sino Talent and Graceful Ocean (“**Mr. Gao’s Second Guarantee**”), under which Mr. Gao agreed to act as the second guarantor of the Loan. On 23 April 2021, Mr. Gao entered into a repayment agreement (the “**Repayment Agreement**”) with Sino Talent, which laid out Mr. Gao’s payment responsibilities and the repayment schedule in respect of the outstanding balance of the Loan. A summary of the major terms of the Repayment Agreement is set out in the paragraph headed “Major terms of the Repayment Agreement” below.

In addition to the information regarding the Loan, Mr. Gao's Second Guarantee and the Repayment Agreement as disclosed in the Annual Reports, the Board would like to provide the following supplemental information which should be read in conjunction with the Annual Reports.

### **Salient terms of the Loan Agreement and the supplemental agreements**

Set out below are the salient terms of the Loan Agreement and the supplemental agreements entered into between Sino Talent, Graceful Ocean and the guarantor(s):

<b>Name of agreement</b>	<b>Date of agreement</b>	<b>Principal (HK\$ million)</b>	<b>Accumulated interest as at date of agreement (HK\$ million)</b>	<b>Term</b>	<b>Interest rate</b>	<b>Maturity date</b>	<b>Guarantor(s)</b>
1. Loan Agreement	11 September 2014	18	Not applicable	10 days from date of withdrawal	10% per annum	Last day of term	Mr. Ma
2. supplemental agreement (the "Supplemental Agreement")	26 September 2014	18	Not specified	Due date extended to 31 December 2014	10% per annum	Last day of term	Mr. Ma
3. first supplemental agreement (the "First Supplemental Agreement")	30 April 2015	18	Not specified	Due date extended to 30 September 2015	13% per annum	Last day of term	Mr. Ma
4. second supplemental agreement (the "Second Supplemental Agreement")	8 October 2015	18	Not specified	Due date extended to 31 December 2015	13% per annum	Last day of term	Mr. Ma

Name of agreement	Date of agreement	Principal (HK\$ million)	Accumulated interest as at date of agreement (HK\$ million)	Term	Interest rate	Maturity date	Guarantor(s)
5. third supplemental agreement (the “ <b>Third Supplemental Agreement</b> ”)	13 June 2016	18	4.0	Due date extended to 31 December 2016	13% per annum	(i) HK\$1.8 million plus interest due on 21 June 2016; (ii) HK\$8.1 million plus interest due on 30 September 2016; and (iii) HK\$8.1 million plus interest due on 31 December 2016	Mr. Ma
6. fourth supplemental agreement (the “ <b>Fourth Supplemental Agreement</b> ”)	13 June 2017	16.2	4.1	Due date extended to 31 March 2018	13% per annum	Last day of term	Mr. Ma
7. fifth supplemental agreement (the “ <b>Fifth Supplemental Agreement</b> ”)	19 June 2018	16.2	5.7	Due date extended to 31 March 2019	13% per annum	(i) HK\$2.42 million by 22 June 2018; (ii) HK\$3 million by 30 September 2018; (iii) HK\$3 million by 31 December 2018; and (iv) remaining balance by 31 March 2019	Mr. Ma

Name of agreement	Date of agreement	Principal (HK\$ million)	Accumulated interest as at date of agreement (HK\$ million)	Term	Interest rate	Maturity date	Guarantor(s)
8. sixth supplemental agreement (the “Sixth Supplemental Agreement”)	24 June 2019	16.2	7.5	Due date extended to 31 March 2020	10% per annum	Last day of term	(i) Mr. Ma (as first guarantor); and (ii) Mr. Gao (as second guarantor)
9. seventh supplemental agreement (the “Seventh Supplemental Agreement”)	12 June 2020	16.2	9.4	Due date extended to 31 March 2021	10% per annum	Last day of term	(i) Mr. Ma (as first guarantor); and (ii) Mr. Gao (as second guarantor)

### **Relationships between Graceful Ocean, the Company and its Directors**

The borrower of the Loan, Graceful Ocean, is a limited company incorporated in Hong Kong and a substantial shareholder of Dehong International Cashmere Co., Ltd.\* (德泓國際絨業股份有限公司)(previously known as Dehong (Ningxia) International Textile Co., Ltd.\* (德泓(寧夏)國際紡織有限公司) (“**Dehong International**”) which was engaged in the production of cashmere by collecting raw or processed cashmere and producing cashmere fabrics as well as the production of other fabrics at its production centre and factory in the PRC. The shares of Dehong International were listed on the National Equities Exchange and Quotations (the “NEEQ”) in the PRC between December 2015 and September 2021.

According to public information, Mr. Ma is the controlling shareholder and a director of Graceful Ocean. Mr. Ma was a personal acquaintance of Mr. Gao. Mr. Gao introduced Mr. Ma to the management of the Company in or about 2011.

### **Reasons for Mr. Gao agreeing to act as the second guarantor**

Graceful Ocean delayed in its repayment obligations in a number of occasions when the parties entered into five supplemental agreements to the Loan Agreement between April 2015 and June 2018 and extended the maturity date of the Loan successively to 31 March 2019. As Graceful Ocean could not meet its repayment obligations and that Mr. Gao introduced Mr. Ma to the Company, after discussion with other members of the Board in June 2019, for the interest of the Company and its shareholders, Mr. Gao agreed to act as the second guarantor but only when Graceful Ocean and Mr. Ma failed/refused to fulfill its/his repayment/guarantee obligations.

## **Basis for continued extension of the maturity date and the expected final repayment date**

Initially, when the maturity date of the Loan was extended for a number of times, the Board believed that Graceful Ocean or Mr. Ma would repay the outstanding balance by the maturity dates. However, by April 2021, it came to the Company's belief that Graceful Ocean or Mr. Ma would not be able to repay the outstanding balance of the Loan. As such, on 23 April 2021, Mr. Gao being the second guarantor of the Loan, entered into the Repayment Agreement with Sino Talent, under which Mr. Gao agreed to repay the outstanding balance (including interest) of the Loan in accordance with the repayment schedule as stipulated thereunder. Also, in consideration of Mr. Gao agreeing to repay the Loan, the interest rate of the Loan was adjusted to 5% per annum.

## **Major terms of the Repayment Agreement**

Set out below are the salient terms of the Repayment Agreement dated 23 April 2021 entered into between Mr. Gao and Sino Talent in relation to the repayment of the outstanding balance of the Loan:

<b>Parties:</b>	Mr. Gao (as second guarantor and payor) Sino Talent (as lender)
<b>Repayment due date:</b>	31 December 2022
<b>Deduction:</b>	If Sino Talent receives payment from Graceful Ocean or Mr. Ma, the outstanding amount will be deducted accordingly.
<b>Interest rate:</b>	5.0% per annum
<b>Amount to be repaid:</b>	Outstanding principal: HK\$16,200,000 Interest accrued: HK\$11,182,444 Total: HK\$27,382,444

## **Implications under the Listing Rules**

Other than the First Supplemental Agreement, the Second Supplemental Agreement and the Sixth Supplemental Agreement which do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules as all applicable percentage ratios in respect of each of such agreements are less than 5%, the Loan Agreement and the other supplemental agreements as well as the Repayment Agreement constituted discloseable transactions of the Company under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratios in respect of each of such transactions exceed(s) 5% but are less than 25%.

Furthermore, the Loan Agreement and the eight supplemental agreements do not constitute connected transactions under Chapter 14A of the Listing Rules as the borrower, Graceful Ocean, is not a connected person of the Company.

As Mr. Gao is an executive Director, Mr. Gao is a connected person of the Company, each of the Repayment Agreement and Mr. Gao's Second Guarantee constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Nevertheless, the Repayment Agreement and Mr. Gao's Second Guarantee are conducted on normal commercial terms or better terms to the Company and are not secured by the assets of the Group, they are exempt from all requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules.

### **Impairment relating to the Loan**

The probability-weighted loss default model was adopted in accordance with International Financial Reporting Standard 9 to determine the expected credit loss ("ECL") for the Loan and interest receivables due from Graceful Ocean. This ECL is adopted as the amount of impairment made on the outstanding Loan and interest balance.

This model derives the ECL as a function of probability of default, K-factor, loss given default, exposure at default, and discount factor. The ECL assessment is performed based on the historical credit loss experience with debtors of similar credit profile in the market, adjusted for factors that are specific to the debtor and its guarantor, general economic conditions and an assessment on the current conditions during the reporting period as well as the forecast of future conditions. The Board considered the exercise of estimating the ECL of the Loan and interest receivables which involves the assessment of default rate and recovery rate as well as forward-looking information to be reasonable and supportable as at the measurement date.

For each of the years ended 31 March 2021 and 2022, the ECL for the outstanding balance of the Loan (including interest) was in the amount of approximately HK\$5.6 million and HK\$2.3 million, being 21% and 9% of the outstanding balance of the Loan (including interest) of HK\$27.4 million and HK\$24.7 million as at 31 March 2021 and 2022, respectively.

The reason that the ECL for the year ended 31 March 2022 is lower than that for the year ended 31 March 2021 is because Mr. Gao, being the second guarantor, entered into the Repayment Agreement with Sino Talent on 23 April 2021 and the credit exposure for the amount owing by Mr. Gao can be netted off against the amounts due to Mr. Gao of HK\$11,258,022 which has no credit exposure for the Company in relation to this portion of the Loan. As Mr. Gao is a shareholder of the Company and generally repays on time during the year, the Board considers that Mr. Gao has low default risk.

### **Reasons for granting the Loan and how they meet the Company's business strategies**

For the following reasons, the management decided that Sino Talent should extend a loan to Graceful Ocean at the time of entering into the Loan Agreement in September 2014:

- (i) before the Loan Agreement was entered into between the parties, the Group explored a number of possible business cooperation opportunities with Mr. Ma and Dehong International and considered the feasibility of forming a new business between the parties. Such business cooperation opportunities include forming a new trading business in trading cashmere fabrics and/or mining or trading gypsum. Between 2011 and 2013, the Directors and senior management of the Company also conducted a number of site visits at the cashmere production centre, a cashmere factory owned by Mr. Ma and a factory at a gypsum mine in Ningxia Hui Autonomous Region, the PRC introduced by Mr. Ma;
- (ii) at the material time, Mr. Ma had a good reputation and was a representative of the People's Congress of Ningxia Hui Autonomous Region. Also, Dehong International repaid short-term loan provided by the Group on time; and
- (iii) Mr. Ma provided a personal guarantee for the Loan.

The management eventually decided not to enter into any new business ventures in relation to cashmere fabrics or gypsum trading business as the Group was mainly engaged in coal and metals trading business in the PRC and the trading of fabrics and/or gypsum would change the Group's strategic direction at the time which was to lay a solid platform for business development in the energy and resources sector in the PRC.

### **The Board's assessment on whether the extension of the Loan is of commercial benefits to the Company and in the interests of the Company and its shareholders**

The Board, after taking into account the following factors, considers that the extension of the Loan has commercial benefits to the Company and is in the interests of the Company and its shareholders:

- (i) the Group had previously advanced a loan of HK\$9 million to Dehong International under a loan agreement entered into on 25 June 2013 (as amended on 16 July 2013) which was fully repaid and settled;
- (ii) at the time of extending the Loan, the shares of Dehong International were listed on the NEEQ and Graceful Ocean was a substantial shareholder of Dehong International;
- (iii) even though Graceful Ocean repaid a portion of the principal and interest owed to the Group during the period from June 2016 to June 2020 in the aggregate amount of HK\$1,800,000 and HK\$2,905,737.50, respectively, the management did not consider that Graceful Ocean defaulted on the interest payment because the parties agreed to extend the Loan Agreement and the payment dates of the interest accrued on the Loan before entering into the supplemental agreements;

- (iv) to the best of the Directors' knowledge, information and belief, the reason that Graceful Ocean and Mr. Ma did not repay the interest in full and requested to extend the repayment deadline was because Mr. Ma needed capital to conduct his business transactions. However, it was not until May 2019 and July 2019 it became apparent from public background searches that each of Dehong International and Mr. Ma was reported to have defaulted and was subject to enforcement under the PRC court system (失信被執行人), respectively;
- (v) after Dehong International was found to have defaulted and was subject to enforcement in May 2019, Mr. Gao acted as the second guarantor to the Loan when the Sixth Supplemental Agreement was entered into in June 2019;
- (vi) on or about 6 January 2021, the Intermediate People's Court of the Ningxia Hui Autonomous Region (the "**Intermediate People's Court**") accepted to hear a liquidation application in relation to Dehong International. However, on or about 26 October 2021, it was announced that the Intermediate People's Court rejected the liquidation application;
- (vii) Mr. Gao also entered into the Repayment Agreement in April 2021 when Mr. Ma could not be reached in April 2021. As such, the Group was willing to extend the Loan Agreement during the period from 2019 to 2021 primarily because Mr. Gao agreed to act as the second guarantor and agreed to repay the principal and outstanding interest;
- (viii) as Mr. Gao agreed to repay the Group by using his salary, the Group was able to secure additional payment;
- (ix) under the Repayment Agreement, Mr. Gao agreed to repay the remainder of the outstanding balance by 31 December 2022; and
- (x) after Mr. Gao and Sino Talent entered into the Repayment Agreement, an aggregate amount of HK\$5,932,444 has been repaid by Mr. Gao.

In deciding whether to extend the Loan to Graceful Ocean, the Directors sought to ensure that background searches of Dehong International and Mr. Ma were conducted and that the financial statements announced by Dehong International and the litigation cases filed against Dehong International were assessed by the senior management.

Based on the information available to the Board prior to May 2019 as stated in sub-paragraphs (i) to (iv) above, the Board did not have any negative report on Graceful Ocean, Mr. Ma or Dehong International. As such, based on the size of Dehong International as disclosed in its financial statements and the previous repayment history of Dehong International with the Group, the Board was of the view that Mr. Ma would eventually repay the outstanding balance of the Loan.



Furthermore, when it was discovered that Graceful Ocean and Mr. Ma might not be in a position to repay the Loan in May 2019, the Directors negotiated with Mr. Gao who is the vice-chairman and a member of the Board and Mr. Gao agreed to repay the full amount of the outstanding balance of the Loan under the Repayment Agreement. Based on the aforesaid, the Directors fully assessed the commercial benefits to the Company as well as the risks associated for providing/extending the Loan to Graceful Ocean since 2014. As such, the Directors believe that they have discharged their fiduciary duties regarding the provision of the Loan.

### **Remedial actions**

To avoid recurrence of the incidents mentioned above and to ensure the Company will fully comply with the requirements under Chapter 14 of the Listing Rules in the future, the Company will take the following remedial measures:

- (a) the Company will procure special and regular training to be provided by the legal advisers of the Company to the Directors and senior management of the Company regarding notifiable transactions under Chapter 14 of the Listing Rules and other applicable law, rules and regulations relevant to the Group's business;
- (b) the Company will strengthen its reporting and review procedures to ensure that all proposed transactions which are not in the ordinary course of business or which may constitute notifiable or connected transactions would be reviewed by the legal advisers of the Company. The legal advisers of the Company shall further assist the Board in assessing the proposed transactions and ensure that the proposed transactions will be conducted in compliance with the applicable requirements under the Listing Rules and other relevant rules and regulations; and
- (c) the independent non-executive Directors will be responsible for reviewing the engagement of the legal advisers of the Company annually to ensure that the Company's policies and practices on compliance with legal and regulatory requirements are covered.

By Order of the Board  
**Elife Holdings Limited**  
**Chow Chi Fai**  
*Company Secretary*

Hong Kong, 6 October 2022

*As at the date of this announcement, the Board comprised seven Directors, of which Mr. Zhang Xiaobin, Mr. Gao Feng and Mr. Chiu Sui Keung are executive Directors and Mr. Cheng Wing Keung, Raymond, Mr. Lam Williamson, Mr. Wong Hoi Kuen and Dr. Lam Lee G. are independent non-executive Directors.*