YORKSHINE HOLDINGS LIMITED
煜新控股有限公司*

(incorporated in the Singapore with limited liability)
(Company Registration No. 198902648H)
Hong Kong Stock Code: 1048
Singapore Stock Code: MR8

UPDATES ON RECENT DEVELOPMENT — (A) INTERNAL CONTROL REPORT (B) STREAMLINING OF GROUP STRUCTURE: DISPOSAL OF SUBSIDIARIES

This announcement is made by Yorkshine Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rules 13.09 and 13.24A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

(A) INTERNAL CONTROL REPORT

References are made to the Company's announcements dated 1 August 2017, 30 October 2017, 19 January 2018, 26 July 2018, 31 July 2018, 18 September 2018, 21 September 2018, 25 October 2018, 9 November 2018, 15 November 2018, 29 November 2018, 30 November 2018, 20 February 2019 and 6 March 2019 relating to amongst others, the conditions for resumption of trading of the shares of the Company and updates on the Company's resumption plan and business operations.

Background

Further to the internal control review report issued by SHINEWING Risk Services Limited ("**Shinewing**") on 29 November 2018, the Company and Shinewing entered into a supplemental engagement letter on 6 March 2019, pursuant to which the Company engages Shinewing to enlarge the scope of the internal control review to cover the now suspended trading and distribution of iron ore, coal and steel products business of the Group (the "**Trading & Distribution Business**") and the findings as disclosed in the final review report dated 19 January 2018 issued by PricewaterhouseCoopers Consulting (Singapore) Pte Ltd ("**PwC's Findings**").

On 16 April 2019, Shinewing issued an updated report regarding the Group's internal control review which also covers the Trading & Distribution Business and PwC's Findings (the "**Updated IC Report**").

Shinewing conducted its review on the Group's internal controls regarding the Trading & Distribution Business and PwC's Findings in March 2019.

Summary of Shinewing's review on the Group's internal controls in relation to the Trading & Distribution Business and PwC's Findings:

Area	Issue(s)/PwC's Findings	Internal control measure(s)/action(s) taken
Financial reporting procedures	• In the financial years ended 30 April 2017 and 2018, the Company has failed to keep any records on the Company's board of directors' (the "**Board**") assessment that no impairment was necessary for (a) property, plant and equipment; and (b) investments in subsidiaries and amounts due from subsidiaries.	• The Group has adopted written procedures requiring the Finance Department to conduct impairment assessment for the Group's (a) property, plant and equipment; and (b) investments in subsidiaries and amounts due from subsidiaries. The management is required to keep the assessment results and relevant supporting documents as record.
Execution and management of sale and purchase contracts	• No "**original**" contracts were prepared for the Trading & Distribution Business as the business activities were conducted through electronic communication and signed contracts were returned via email. Several versions of contracts were prepared but there were inconsistences among them. • There was no clear policy guidelines or control to ensure that only authorized signatories are permitted to sign contracts. • The staff and the management appeared to view the practice of preparing supporting documents/contracts after the event to satisfy the auditor, as an acceptable practice.	• The Group has adopted written procedures requiring all departments to enter into contracts with its suppliers/customers prior to transactions. • All contracts must be approved by the department head and chief financial controller prior to signing and contracts must be executed by authorized signatories. • The Group has written guidelines prohibiting its staff to prepare supporting documents/contracts for the purpose of satisfying audit requests.

Area	Issue(s)/PwC's Findings	Internal control measure(s)/action(s) taken
Agency arrangement under the Trading & Distribution Business	• None of the email contracts between the Group and its suppliers/customers disclosed the Company's subsidiaries as the seller for the 14 sale transactions and customers issue letters of credit to Novostal Limited ("**NSL**"), a company wholly owned by a former executive Director, as beneficiary. There were 12 underlying purchase contracts, of which 11 reflected the Company's subsidiaries as the purchaser and, one recorded NSL as direct purchaser. However, the purchase letters of credit show that NSL is the applicant for all purchases with no mention of the Company's subsidiaries as the purchaser. • There was no clear difference between the trades recorded by the Group as principal when compared to the trades where the Group supposedly acted as agents, except that for the first 14 transactions, there are letters of credit and sales agency agreements signed with NSL as agent and for the subsequent three transactions, there are purchase agency agreements signed with the Company's subsidiaries as agents. • The contract number referencing for all the 17 trades are based on NSL's numbering system but these reference numbers were not in sequence and there were missing reference numbers.	• The Group has suspended the Trading & Distribution Business since the financial year ended 30 April 2018. • The Group has established independent contract numbering system to record all contracts and transactions entered into by the Group. All departments are required to keep copies of all contracts for future inspection.

Area	Issue(s)/PwC's Findings	Internal control measure(s)/action(s) taken
Staff arrangement between the Group and NSL	• Five staff who used to be employed by the Group had their employment contract terminated in May 2016 and were re-employed by NSL. Three of them were then immediately deployed to the Group to help with the Group's Trading & Distribution Business with an open ended deployment period. These re-deployed staff continued with their previous roles, performed the same work they used to do and continued to remain in the same premises as they were at previously.	• The Group has adopted a conflict of interests reporting policy requiring all staff to declare any possible conflict of interests. • The Group has also adopted written procedures (i) requiring the supervisors of each department to closely monitor the departmental affairs to ensure there is a clear segregation between the Group's affairs from that of third parties; and (ii) restricting access to the Group's information to prevent unauthorized leakage.
Use of NSL's domain name	• The email domain name used by the people involved in the Trading & Distribution Business was novostal.com (the "**NSL's Domain Name**"), which was registered by one of the Company's subsidiaries in 2005 but NSL has been paying for its maintenance since February 2016.	• The Group has ceased its use of the NSL's Domain Name and requested all its staff to use "**yorkshinegroup.com**" as the email domain for all communications with the Group's suppliers and customers. • The Group has also put in place procedures to prohibit its staff to (i) allow third party to use the Group's email account; and (ii) use their personal emails and non-Group domain names when conducting business in the name of the Group.

Area	Issue(s)/PwC's Findings	Internal control measure(s)/action(s) taken
Cash flow management	• Cash flow for trading operations appear to be managed entirely by NSL and monies were released only when the trading operations run low in cash.	• In early 2019, the management has prepared a cash flow forecast and such forecast is to be reviewed on a quarterly basis. Board's approval is required in the event when the actual cash flow significantly deviates from the forecast.
		• The Group's internal manual on cash flow management also requires the Group to enter into legally binding financing agreements with its financiers as and when needed. Approval from appropriate management should be obtained in advance.
Compliance with the Listing Rules	• The Company only implemented a formal policy on the identification, evaluation, approval and reporting of connected transactions in March 2017.	• Finance Department has prepared the list of connected persons which is updated on a regular basis and distributed to all departments within the Group.
	• The Group's management and staff did not appear to be familiar with the definition of connected transactions under the Listing Rules.	• Audit Committee has reviewed the Group's internal policies on identification, evaluation, approval and reporting of connected transactions.

Results of Shinewing's review

During the Shinewing's review in March 2019, Shinewing noted that the internal control measures/actions as stated above have been adopted by the Group.

(B) STREAMLINING OF GROUP STRUCTURE: DISPOSAL OF SUBSIDIARIES

There are several subsidiaries within the Group which have been inactive for more than a year, some of which are also in a net liability position. Upon the review and assess the group structure and the overall financial position of the Group and on 15 April 2019, the Group signed a share transfer form with Diamond Talent Holdings Limited ("**DTHL**"), a special purpose vehicle incorporated in the British Virgin Islands which is wholly-owned by Mr. Zhu Jun ("**Mr. Zhu**"), the executive Chairman and executive Director, and also the controlling shareholder of the Company, pursuant to which, the Company has sold the entire share capital of two of its wholly-owned subsidiaries ("**Target Subsidiaries**"). The disposals of the Target Subsidiaries (the "**Disposals**") are collectively expected to have a positive effect on the financial position of the Group as the liabilities of the Target Subsidiaries would not be consolidated into the accounts of the Group after completion of the Disposals. Approximately US$36.8 million net liabilities will be taken out from the Group's consolidated financial statements and the Group's financial position will turn back to net assets for the financial year ended 30 April 2019 ("**FY2019**").

The Board will continue to review and assess the group structure and the overall financial position of the Group and carry out further restructurings, if necessary.

Details for the Disposals:

Date:	15 April 2019.
Transferor:	The Company.
Transferee:	DTHL, a special purpose vehicle incorporated in the British Virgin Islands which is wholly-owned by Mr. Zhu.
Disposals:	The entire share capital of the Target Subsidiaries which are wholly-owned by the Company.
Target Subsidiaries:	• Novo Commodities Limited ("**NCL**"), a company which is incorporated in Hong Kong with limited liability, involved in the Trading & Distribution Business. Since the financial year ended 30 April 2017 ("**FY2017**"), NCL and its subsidiaries have not conducted any business activities as the Group has suspended its Trading & Distribution Business; and • Novo Overseas Holdings Pte. Ltd. ("**NOHPL**"), a company incorporated in Singapore with limited liability, is an investment holding company, and its current subsidiaries are dormant.

Financial information about the Target Subsidiaries:

- Based on the audited consolidated financial statements of the Group for FY2017, the book value and the net tangible liability of the Target Subsidiaries was approximately US$67 million. As at the date hereof, the book value of the shares in NCL and NOHPL to be transferred pursuant to the Disposals (the "**Disposal Shares**") is a capital deficit of US$33,499,000. The Disposals are expected to result in an excess over the book value of the Disposal Shares of US$33,499,000.

- The net loss before tax as at the date hereof attributable to the Target Subsidiaries was US$701,000.

Consideration and Use of Proceeds:

US$100 which was satisfied in cash by DTHL.

The Consideration was arrived at on a willing-buyer willing-seller basis, taking into consideration the net liability position of the Target Subsidiaries and that the Target Subsidiaries currently do not engage in any business operations.

The proceeds arising from the Disposals would be US$100 and will be utilized by the Group for working capital purposes.

Financial Implication:

Approximately US$36.8 million net liabilities will be taken out from the Group's financial statements with a corresponding gain on disposal is expected which will be recorded in FY2019. The Group's financial position will turn back to net assets.

Approval by Directors:

The members of the audit committee of the Company, comprising the three independent non-executive Directors, are of the opinion that the Disposals are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The Directors (save for Mr. Zhu who has abstained in view of his involvement in the Disposals) are of the opinion that the Disposals are in the best interests and to the benefit of the Company and the shareholders of the Company as a whole as the Target Subsidiaries are heavily in debt and the Disposals would enable the Group to reverse its current net assets deficit position.

Reporting Requirement: The Company has obtained confirmation from the Stock Exchange that the Disposals will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules, but are fully exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

The Group made this announcement pursuant to Rules 13.09 and 13.24A of the Listing Rules on the Stock Exchange and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 August 2017 and will continue to suspend until further notice.

The Company will use its best endeavours to satisfy the Resumption Conditions with a view to resume trading as soon as practicable. The Company will make further announcement of any material development on the above matter as and when appropriate.

On behalf of the Board
YORKSHINE HOLDINGS LIMITED
Zhu Jun
Executive Chairman and Executive Director

Hong Kong, 16 April 2019

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Zhu Jun (Executive Chairman), Ms. Wang Jianqiao and Mr. Lei Yonghua; one non-executive Director, being Dr. Ouyang Qian; and three independent non-executive Directors, being Mr. Foo Teck Leong, Mr. Tang Chi Loong and Mr. William Robert Majcher.

* *For identification purpose only*