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YORKSHINE HOLDINGS LIMITED

煜新控股有限公司*

(Incorporated in Singapore with limited liability)

(Company Registration No. 198902648H)

Hong Kong Stock Code: 1048

Singapore Stock Code: MR8

KEY FINDINGS OF THE INDEPENDENT REVIEW

Reference is made to the announcements published by the Company on 14 August 2017, 24 August 2017, 28 August 2017, 18 September 2017, 4 October 2017, 31 October 2017 and 12 December 2017, regarding, among others, the appointment of PwC to conduct the Independent Review.

As at the date of this announcement, PwC has completed the Independent Review and issued the Review Report to the Audit Committee.

A Board meeting was convened to consider the Review Report and the Board has adopted the recommendations of the Audit Committee. A summary of PwC's key findings and the Audit Committee's recommendations is set out below.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements published by the Company on 14 August 2017, 24 August 2017, 28 August 2017, 18 September 2017, 4 October 2017, 31 October 2017 and 12 December 2017, regarding, among others, the appointment of PwC to conduct the Independent Review.

The Company announces that PwC has completed the Independent Review and issued the Review Report to the Audit Committee. A Board meeting was convened to consider the Review Report and the Board has adopted the recommendations of the Audit Committee. A summary of PwC's key findings and the Audit Committee's recommendations is set out below.

In addition, the executive summary of the Review Report is set out in Appendix 1 to this announcement.

BACKGROUND LEADING TO THE INDEPENDENT REVIEW

In the course of the audit of the 2017 Annual Results, the Auditor noted and has raised concerns on certain documents relating to the conduct of the Group's trading and distribution of iron ore, coal and steel products. In particular, in the course of the field audit of the 2017 Annual Results, it was discovered that there were two sets of sale and purchase agreements pertaining to the same underlying transactions. The first set was signed by the Company's wholly-owned subsidiaries, namely NCPL and SNCL, with the respective customers and suppliers and the second set was signed by NSL as an agent on behalf of these subsidiaries. As such, the Auditor has raised concerns as to which set of sale and purchase agreements truly reflects the Group's business operations (the "Issue"). NOVOSTAL Limited, a company incorporated in Hong Kong, was a 30% owned associate company of the Group between 2008 and 2014 but was dissolved and deregistered on 30 January 2014. On 6 January 2016, a company with the identical name, Novostal Limited, was incorporated in Hong Kong and wholly-owned by Mr. Yu. For the avoidance of doubt, in this announcement, NSL refers to Novostal Limited which is wholly-owned by Mr. Yu.

In light of the Issue, the Board has appointed PwC to conduct the Independent Review and authorized the Audit Committee to supervise and oversee the Independent Review.

SCOPE OF THE INDEPENDENT REVIEW

As agreed with the Board, the scope of the Independent Review covered all the 14 back-to-back sale and purchase transactions in FY2017 amounting to US\$100,748,520.56 and US\$99,336,927.10 respectively, representing approximately 98.94% and 98.70% of the Group's total revenue and purchases in FY2017, respectively, with a focus on the following key areas:

- (a) reviewing the two sets of sale and purchase agreements provided by the Company to the Auditor and establish the facts and circumstances surrounding these agreements;
- (b) reviewing the underlying contracts and supporting documents in relation to the transactions to understand the nature of the transactions and determine if these are properly supported; and
- (c) identifying any failures/lapses in the Group's corporate governance and internal control processes as well as any potential breaches in the Listing Rules or Listing Manual.

In performing its work, PwC conducted various interviews and discussions with relevant personnel from the Group and NSL.

Further details on PwC's scope of work has been set out in the announcement of the Company dated 28 August 2017.

KEY FINDINGS OF THE INDEPENDENT REVIEW

(1) Findings on the two sets of sale and purchase agreements

(a) Review of the two sets of sale and purchase agreements

- The first set of contracts provided by the Company to the Auditor were supposedly signed between the wholly-owned subsidiaries of the Company, namely, NCPL and SNCL, directly with customers and suppliers. In respect of the second set of contracts, the sale contracts were all signed by NSL. For the purchase contracts, there were three suppliers to the Group, namely, Supplier A, Supplier B and Supplier C. For Supplier A, since NCL is the only party that can trade with Supplier A as it is the only entity registered with Supplier A, therefore, all purchase contracts with Supplier A were signed by NCL. NCL will sign a purchase agency agreement with NCPL and SNCL to buy on their behalf. For these contracts, there is no mention of NSL acting as letters of credit agent. For Supplier B, there is no difference between the first and second set of contracts, i.e. the purchase contracts were signed between Supplier B, SNCL (as buyer) and NSL (as buyer's agent only for opening letters of credit). For Supplier C, PwC only sees NSL signing as buyer.
- According to PwC's interviews with the Operations Personnel, the first set of contracts (other than the purchase contracts with Supplier B) were supposedly created for the Auditor in May 2017 after a discussion between the Management on how to "simplify the audit process". PwC was informed that the discussion took place as the Group had changed the way it operated and was contracting through NSL instead of directly with customers and suppliers as in the past. According to the Management, the first set of contracts were not intended to be released to the Auditor but due to miscommunication among the staff, they were provided to the Auditor. The Management subsequently voided the first set of contracts (the "**Voided Contracts**").
- When the Auditor discovered a different version of the contract signed by a different contracting party, i.e. NSL, the Auditor requested for the full set of original contracts. However, the Management informed PwC that there were no "original" contracts as trading activities are conducted through electronic communication and signed contracts are returned via email. Given the Auditor's request, PwC understands that the Company therefore prepared a

new set of contracts and sent these to their customers and suppliers for them to sign and return (the “**Revised Contracts**”). The Revised Contracts were not contemporaneous documents existing at the time of the transactions but were prepared sometime in July 2017.

- PwC was provided with email correspondences with attached signed contracts which customers/suppliers returned electronically (the “**Email Contracts**”) and project files of each of the sale and purchase transactions containing another set of contracts (the “**Archived Contracts**”).
- PwC noted that the terms and contracting parties of the Email Contracts, Archived Contracts are the same as the Revised Contracts. However, PwC also noted inconsistencies in the signatures even though the terms of the contracts and contracting parties were the same. In particular, PwC noted instances in the Email Contracts where staff of NSL was signing as signatory of the Company’s subsidiaries and instances where staff of the Company’s subsidiaries was signing as signatory of NSL. In the Archived Contracts, these inconsistencies in signatories appear to have been corrected. When PwC highlighted these inconsistencies to the Management, PwC was told that these were errors.

(b) PwC’s observations and recommendations

As stated in the Review Report, set out below are PwC’s key observations:

- It appears that the Voided Contracts were supposedly created sometime before or shortly after the commencement of the audit to “simplify the audit process” while the Revised Contracts were supposedly prepared when the Auditor requested for the “original” contracts after the discovery of the existence of two different versions of contracts with different contracting parties.
- PwC noted instances where the Group’s staff (namely, Mr. Samuel Ma Yiu Ming) signed for NSL and some instances where NSL’s staff (namely, Ms. Shirley Chow) signed for NCL.
- It appears that even for contracts that are supposedly prepared contemporaneously, there are two inconsistent versions, i.e. the Archived Contracts and the Email Contracts. There appears to be no clear policy guidelines or control to ensure that only authorized signatories are permitted to sign contracts. It is unclear why the NSL staff is able to sign contracts as

a signatory of the Group to confirm trades with suppliers. This situation exposes the Company to the risk that trades are transacted and confirmed by unauthorized persons.

- There is a concern that the staff and the Management appear to view the practice of preparing supporting documents/contracts after the event to satisfy the Auditor, as an acceptable practice. Such practice exposes the Group to significant risk from a corporate governance and controls perspective. It also puts into question whether formal agreements/contracts/documents generated by the Group can be relied upon to reflect the true nature and substance of the underlying transactions.

In this regard, PwC recommended the Board to:

- take strong disciplinary action against all staff involved in the incident;
- ensure the Board communicate to all staff and management that such practice cannot be condoned;
- put in place a programme to train and educate all staff and management on the Company's expectations in order to strengthen the governance and compliance culture within the Group, including awareness training of the Group's Code of Conduct and Ethics policies.

(2) Findings on the underlying contracts and supporting documents in relation to the sale and purchase transactions

(a) Review of underlying contracts and supporting documents

- Based on PwC's review of the Email Contracts, none of the documents disclosed the Company's subsidiaries as the seller for the 14 sale transactions and customers issue letters of credit to NSL as beneficiary. On the purchases side, 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 purchasers with no mention of the Company's subsidiaries as the purchaser.
- It is noted that subsequent to the 14 sale transactions, there were some contracts where the Group and NSL's role as principal and agent were reversed.

- Based on PwC's review of the available underlying documents supporting the trades, there appears to be 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 letters of credit agency agreement covers the financial year ended 30 April 2017 and was dated 1 May 2016.
- PwC noted that 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. PwC was informed that the missing numbers are NSL's own trades.
- PwC had requested for confirmations of transactions from customers and suppliers. As at the date of the Review Report, two suppliers and nine customers out of three suppliers and 10 customers responded to the confirmations. PwC noted that the customers had indicated on the confirmations that their transactions were with NSL although the confirmations were sent out in the name of NCL, SNCL and NCPL.

(b) Staffing 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 activities with an open ended deployment period and it would appear that 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. PwC understands that the salaries of these staff were paid by NSL from May 2016.
- PwC was informed that the re-deployment arrangement is part of the overall arrangement between the Group and NSL where NSL will act as the letters of credit and sales agent of the Company's subsidiaries for a period of one year. Under the arrangement, the Group is responsible for decision making, and agrees to undertake, confirm, admit, ratify and indemnify any actions, faults and/or omissions made by NSL.

(c) *Use of NSL's domain name*

- According to the Review Report, the email domain name used by the people involved in the trading activities was novostal.com (the “**NSL's Domain Name**”), which was registered by one of the Company's subsidiaries in 2005.
- The Management stated that the NSL's Domain Name has been used by them to correspond with their customers and suppliers since 2005 and they did not change it as it would confuse the customers and suppliers.
- PwC was informed that since February 2016, NSL has been paying for the maintenance of the NSL's Domain Name.
- As stated in the Review Report, PwC found the arrangement of the use of the NSL's Domain Name unusual as it is unclear who the staff (including, Mr. Chow Kin Wa) represents when they communicate with external parties. It is also unclear from the customer's perspective as to who they view as the seller for the 14 transactions where the Company's subsidiaries are the principal and the three subsequent transactions where the Company's subsidiaries are the agents.

(d) *Cash flow management*

- PwC noted that instead of the net margin of each of the 14 transactions amounting to US\$667,852 being remitted to the respective entities of the Group immediately after each transaction was completed, lump sum amounts appear to be remitted as and when the Group's trading subsidiaries run low in cash. During FY2017, NSL made 14 transfers to the Group amounting to US\$1,603,409. The Management confirmed that in addition to the specific trades, NSL also financially supports the day to day working capital requirements of the entire trading operations.

(e) *PwC's observations and recommendations*

- As stated in the Review Report, set out below are PwC's key observations in relation to these transactions based on its work done:
 - (i) There appears to be no clear difference between the trades recorded by the Group as principal when compared to the trades where the Company's entities supposedly acted as agents based on the documents sighted.
 - (ii) PwC understands that the number referencing of all trades are based on NSL's numbering systems. PwC was informed that the missing reference numbers are NSL's own trades.
 - (iii) PwC was not able to trace transactions through to NSL's records to establish the completeness of the Group's transactions and to determine how the Group's trades are recorded in NSL's books.
 - (iv) It is unclear who the staff deployed from NSL to the Group is working for even though there are resignation letters recording that they have resigned from the Group. The re-deployment agreement recorded that the staff are immediately deployed back to the Company to perform the same work they used to perform.
 - (v) It is unclear when staff communicate with external parties such as customers and suppliers, who they hold themselves out to be working for as the email addresses and sign offs in the emails sighted are from the domain name novostal.com. As PwC understands that the maintenance of the domain name was paid by NSL since February 2016, it raises questions as to which entity the domain name belongs to and whether these trades performed are the Group's trades or NSL's trades.
 - (vi) Cashflow for trading operations appear to be managed entirely by NSL and monies are released only when the trading operations run low in cash.

- (vii) From the perspective of the banks granting the letters of credit facilities, there appears to be no disclosure of the financing arrangement/agency relationship between the Group and NSL as the letters of credit documents sighted make no reference to the Company or its subsidiaries.
- (viii) From the customer's perspective, it is unclear as to who they view as the seller for the 14 transactions and subsequent three transactions.
- The business arrangement and relationship between the Group and NSL have resulted in a fairly complex and confusing environment. This situation is exacerbated by the following circumstances:
 - (i) the setup of NSL using the identical name of the previous associate company of the Group may give the apparent impression that this is the old company under the Group;
 - (ii) the arrangement between the Group and NSL where the Group's staff in the trading operations are terminated, employed by NSL and re-deployed back to the Group but performing the same role and work they were previously doing creates a situation of potential conflict of interest as staff resources appear to be co-mingled and it is unclear who they represent. PwC noted instances where staff from NSL have signed contracts as signatory for the Group and vice versa; and
 - (iii) the continued use of the domain name in communication with external parties by both NSL and the Group staff also raises key questions on who customers are trading with.
 - It is unusual that the Group's entire existing operations comprising only its trading activities are entirely funded by NSL. This raises the question of the level of influence NSL has over the Group's activities and transactions. It also raises the question on whether transactions recorded are complete.
 - PwC recommended the Board to seek legal advice on whether the above fact pattern supports the Group's position on the principal/agent relationship and whether the financing arrangement exposes the Group to any legal risk with the banks providing the letters of credit facilities.

- PwC understands that the Board has since obtained independent legal advice to confirm that:
 - (i) the contracts and agency agreements are consistent with the Group's position on the principal/agent relationship. Based on the fact pattern, the respective subsidiary of the Group is considered as an undisclosed principal from a legal perspective; and
 - (ii) there is no legal liability to the issuing banks for the letters of credit arrangements as the 14 transactions have been completed and fully settled.
- PwC recommends the Board commission a thorough review of the arrangements with NSL both from the operations and staffing perspective to ensure that there is a clear governance structure and delineation around all dealings with NSL to prevent potential conflict of interest arising from the co-mingling of resources. There should be specific policies setting out the staff who are authorized to sign contracts. There should also be clear security protocols over the access to the Group's data.

(3) Findings on the compliance with the Listing Rules/Listing Manual

- Since Mr. Yu resigned as a Director of the Company on 27 November 2015 and NSL is wholly-owned by Mr. Yu, transactions between the Group and NSL constitute connected transactions of the Company under Chapter 14A of the Listing Rules until 26 November 2016.
- The Board has obtained the Independent Legal Advice, confirming that the transactions between the Group and NSL as described in this announcement are fully exempted transactions under Rules 14A.90 and 14A.76 of the Listing Rules.
- PwC noted that while there was no formal policy in place on the identification, evaluation and approval of connected transactions, the Company had a process to submit a declaration of on connected transactions on a quarterly basis. However, based on discussion with the Management, PwC noted that the Management does not appear to be familiar with the definition of connected transactions under the Listing Rules.

- The Company has implemented a formal policy on the identification, evaluation, approval and reporting of connected transactions in March 2017.
- PwC recommended the management and staff to undergo regular training to ensure that they have a clear understanding of connected transactions moving forward.

LIMITATIONS ON THE INDEPENDENT REVIEW

As mentioned in the Review Report, the Independent Review was limited by the following circumstances:

- (a) PwC had requested through the Company to meet with the customers and suppliers to independently establish the nature of the relationship between the customers, suppliers, the Company's trading subsidiaries and its agent, NSL. PwC understands that the customers and suppliers declined to meet.
- (b) PwC had requested to interview three ex-staff who had joined NSL but subsequently redeployed to the Company to assist in the trading operations. PwC was only able to conduct phone interviews with two staff. One staff declined to be interviewed.
- (c) PwC had requested for access to the accounting records and staff of NSL in order to obtain additional information on the Company's sale and purchase transactions and to ascertain the completeness of the transactions/business dealings with NSL. PwC was informed that NSL did not agree to the Company's request for access.
- (d) There were three sale and purchase transactions where the principal/agent roles were reversed and certain Company's subsidiaries acted as agents for NSL. PwC requested for the underlying documents supporting these transactions but their requests was declined as PwC was informed that these documents did not belong to the Company but to NSL.

VIEWS OF THE AUDIT COMMITTEE

The Audit Committee notes that while the Review Report has identified management and staff who had prepared the void contracts in their misguided haste to “simplify the audit process” for FY2017, no fraudulent conduct was identified for the sale and purchase transactions in the course of the Independent Review. The Audit Committee is not aware of any material impact to the financial statements of the Company and its subsidiaries or financial loss to the Company and its subsidiaries due to these arrangements. The subject transactions have been completed, the letters of credit have been paid in full and the issuing banks and beneficiaries have not alleged any losses or damages. The Independent Legal Advice also assured the Audit Committee that the relevant documentation is not inconsistent with the position that the Company’s subsidiaries are the principals of the subject transactions, and bear the risks and profits of the subject transactions. Accordingly, the Audit Committee has no reason to believe that the sales and purchase transactions are not genuine. Furthermore, as stated in the Independent Legal Advice, the subject transactions and arrangement between the Group and NSL are fully exempt connected transactions under the Listing Rules and no incident on non-compliance with the connected transactions provisions under the Listing Rules is identified.

Having considered the Review Report, the Audit Committee acknowledges and accepts the observations concerning the Group’s internal controls, as set out below:

- (a) the Group’s staff using non-company domain names (including the domain name novostal.com) and personal email addresses when conducting the Group’s business;
- (b) there is no clear policy on the signing authority for different types of agreements to be entered into by the Group;
- (c) the measures taken by the Group to delineate its operations and business (including its staff) with that of NSL are inadequate; and
- (d) the measures adopted by the Group in identifying, evaluating, approving and/or reporting connected transactions are ineffective.

RECOMMENDATIONS OF THE AUDIT COMMITTEE

In light of the findings of the Independent Review, the Audit Committee made the following recommendations to the Board:

- (a) The Review Report has identified the persons involved in the Issues. The Audit Committee recommended to the Board to take appropriate cause of actions against Mr. Chow Kin Wa (including but not limited to the suspension of his duties as executive Director and to remove him from the office of Chief Executive Officer of the Company) and to give directions to the human resources department to conduct interviews and recommend disciplinary and remedial actions for those staff identified in the Review Report. The Company reserves all of its rights to take further actions.
- (b) The Group shall communicate to all of its staff that the practice of preparing supporting documents/contracts after the sale and purchase transactions to satisfy the Auditor should not be condoned and the Group shall provide corporate governance and compliance trainings to all of its staff to strengthen the Group's governance and compliance culture.
- (c) The Group's staff shall not use any non-company domain names (including the domain name novostal.com) and personal email addresses when conducting the Group's business. An internal notice shall be circulated to all of the Group's staff to remind them that they should only use the Company's email addresses and domain name (i.e. yorkshine.com) during the course of conducting the Group's business and they should always act in the best interests of the Group as a whole. The Group's internal audit department should conduct regular review and report thereon accordingly.
- (d) The Company shall conduct a review on the authorised persons to sign agreements/contracts and designate the authorised persons with the proper approving limits accordingly. The Company shall inform its customers/suppliers that any agreements/contracts signed by non-authorised staff are not valid.

- (e) The Group's management shall suspend the staffing arrangement and business arrangement with NSL until procedures and policies are in place ensuring there is a clear delineation of business and operations between the Group and NSL. Further, the Group's management has to draw up a proper plan for the board of directors' approval for the funding arrangement for trading business in the near term.
- (f) The Audit Committee is of the opinion that the trading arrangement that has given rise to the Independent Review by PwC necessitates a suspension of the trading business. The Company's management should adopt the recommendations of the Review Report and put in place vigorous safeguards before recommencing the said business. At the same time, the Company should continue to actively explore new business opportunities and redouble its efforts to commence the tinplate manufacturing and metal packaging business of the Group's plant in Taizhou of the PRC to generate revenue.
- (g) The Group shall implement a vigorous regime for connected transactions reporting as per the connected transactions reporting manual, including the formulation of a list of connected persons which is to be reviewed regularly and circulated to all operating subsidiaries such that the relevant staff will be kept updated of the list of connected persons and be able to identify potential connected transactions. Furthermore, trainings shall be provided on a continuous basis to ensure that the staff are kept up to date of the necessary requirements and developments.
- (h) The Audit Committee further recommends engaging an independent third party consultant to review the internal control systems and procedures of the Group and to implement the recommendations of the independent third party to strengthen the internal control mechanism of the Group to avoid the occurrence of similar incidents in the future.

Further announcement(s) will be made by the Company on further developments as and when appropriate.

CONTINUED SUSPENSION OF TRADING

Trading of the shares of the Company on the Hong Kong Stock Exchange will remain suspended until the Company fulfils the resumption conditions imposed by the Hong Kong Stock Exchange as disclosed in the Company's announcement dated 30 October 2017.

Trading suspension of the shares of the Company on the SGX-ST will continue until the Company submit a trading resumption proposal that adequately and satisfactorily addresses outstanding issues including watch list and internal control issues. Until then, trading suspension will continue. Trading in the Company's shares will only recommence if this can be done concurrently on both exchanges.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2017 Annual Results”	the annual results of the Company for FY2017
“Audit Committee”	the audit committee of the Company, comprising all of the independent non-executive Directors
“Auditor”	Baker Tilly TFW LLP, the auditors of the Company
“Board”	the board of Directors
“Company”	YORKSHINE HOLDINGS LIMITED, a company incorporated in Singapore with limited liability whose Shares are listed on the Hong Kong Stock Exchange and SGX-ST
“Director(s)”	director(s) of the Company
“FY2017”	the financial year commencing from 1 May 2016 to 30 April 2017
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Legal Advice”	the independent legal advice issued by David Norman & Co. on 27 November 2017
“Independent Review”	the independent review conducted by PwC into the facts and circumstances surrounding certain sales and purchases agreements, their veracity and impact on the Group’s financial statements
“Issue”	has the meaning ascribed thereto in the paragraph headed “Background Leading to the Independent Review” in this announcement
“Listing Manual”	the listing manual of the Mainboard of the SGX-ST
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management”	collectively, Mr. Chow Kin Wa, the Chief Executive Officer of the Company, and Mr. Samuel Ma Yiu Ming, the Head of Operations of the Company
“Mr. Yu”	Mr. Dicky Yu, a former executive Director
“NCL”	Novo Commodities Limited, a wholly-owned subsidiary of the Company
“NCPL”	Novo Commodities Pte Ltd, a wholly-owned subsidiary of the Company
“NSL”	Novostal Limited, a company wholly owned by Mr. Yu
“Operations Personnel”	collectively, Mr. Samuel Ma Yiu Ming, the Head of Operations of the Company, and Ms. Jenny Yiu Lai Sin, the finance manager of the Company
“PwC”	PricewaterhouseCoopers Consulting (Singapore) Pte Ltd

“Resumption Conditions”	the four resumption conditions imposed by the Stock Exchange as announced by the Company on 30 October 2017
“Review Report”	the final review report prepared by PwC in connection with the Independent Review
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SNCL”	Novo Commodities (HK) Limited (formerly known as Novo Commodities Limited, Seychelles), a wholly-owned subsidiary of the Company

By order of the Board
YORKSHINE HOLDINGS LIMITED
Zhu Jun
Executive Chairman and Executive Director

Hong Kong, 19 January 2018

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Zhu Jun, Mr. Chow Kin Wa and Ms. Wang Jianqiao; 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*

APPENDIX 1

EXECUTIVE SUMMARY OF THE REVIEW REPORT

***Yorkshire
Holdings
Limited***

Project Stark
19 January 2018

1. Executive Summary

Background and circumstances leading to our appointment

- 1.1. On 1 August 2017, Yorkshine Holdings Limited (the “Company” or “Yorkshine”) requested for a trading halt and the trading of its shares was suspended on the Singapore Exchange Limited (the “SGX”) and Hong Kong Exchanges and Clearing Limited (the “HKSE”). On 14 August 2017, the Company announced that during the course of the audit for the financial year ended 30 April 2017 (“FY2017”), Baker Tilly TFW LLP (“BT”) had raised concerns on certain documents relating to the conduct of the Company and its subsidiaries’ (the “Group”) trading and distribution of iron ore, coal and steel products.
- 1.2. On 24 August 2017, the Company further announced that during the course of audit, it was discovered that there were two sets of sale and purchase agreements pertaining to the same underlying transactions. The first set was signed by the Company’s subsidiaries with the respective customers and suppliers and the second set was signed by an agent on behalf of these subsidiaries.
- 1.3. In the same announcement, the Board of Directors (“BOD”) of Yorkshine appointed PricewaterhouseCoopers Consulting (Singapore) Pte Ltd (“PwC” or “we”) to conduct an independent review into the facts and circumstances surrounding the two sets of agreements, their veracity and impact on the Group’s financial statements.

Introduction

- 1.4. On 27 November 2015 following a mandatory unconditional cash offer by Golden Star Group Limited (“Golden Star”) for the entire share capital of the Company, the Group underwent a restructuring exercise. As part of the restructuring and the change of ownership, Mr. Zhu Jun (“Zhu Jun”) was appointed as Executive Chairman and Executive Director replacing Mr. Dicky Yu Wing Keung (“Dicky Yu”). Dicky Yu resigned from all his positions upon completion of the restructuring.
- 1.5. We understand that the Group had been facing liquidity issues as well as ongoing litigation proceedings over the past several years. Given this situation, the Group had difficulties obtaining bank financing for its trading operations.
- 1.6. Management informed that in order to maintain operations after the takeover of the Group by Golden Star, they had to consider and seek other financing options. Sometime around March 2016, the Company eventually sought the assistance of Dicky Yu who agreed to finance the Group through Novostal Limited (“NSL”).
- 1.7. NSL was previously a 30% associate company of Yorkshine from 2008 to 2014 but was dissolved and deregistered on 30 January 2014. However, based on our searches a new company with the identical name was incorporated on 6 January 2016. This new NSL is wholly owned by Dicky Yu and is the company which assisted Yorkshine in acting as its sales agent and Letter of Credit (“LC”) agent for the trades transacted in FY2017.

- 1.8. NSL entered into sales agency agreements to act as the Group's sales agent and also entered into a LC agency agreement with the Group to act as its LC agent. The LC agency agreement covers FY2017 and was dated 1 May 2016.
- 1.9. There are in total 14 back to back sale and purchase transactions during FY2017 amounting to US\$100,748,520.56. We were informed that these were all transacted through NSL. We understand that in addition to these 14 trades, there were also some trades where Yorkshire subsidiaries acted as agent for NSL.

Our Scope of work

- 1.10. Our scope as agreed with the BOD covered these 14 sale and purchase transactions focusing on the following key areas:
 - (a) Reviewing the two sets of sale and purchase contracts provided by the Company to BT and establish the facts and circumstances surrounding these contracts;
 - (b) Reviewing the underlying contracts and supporting documents in relation to the transactions to understand the nature of the transactions and determine if these are properly supported; and
 - (c) Identifying any failures/lapses in the Group's corporate governance and internal control processes as well as any potential breaches in SGX/HKSE rules.

In performing our work, we have conducted various interviews and discussions with relevant personnel from Yorkshire and NSL.

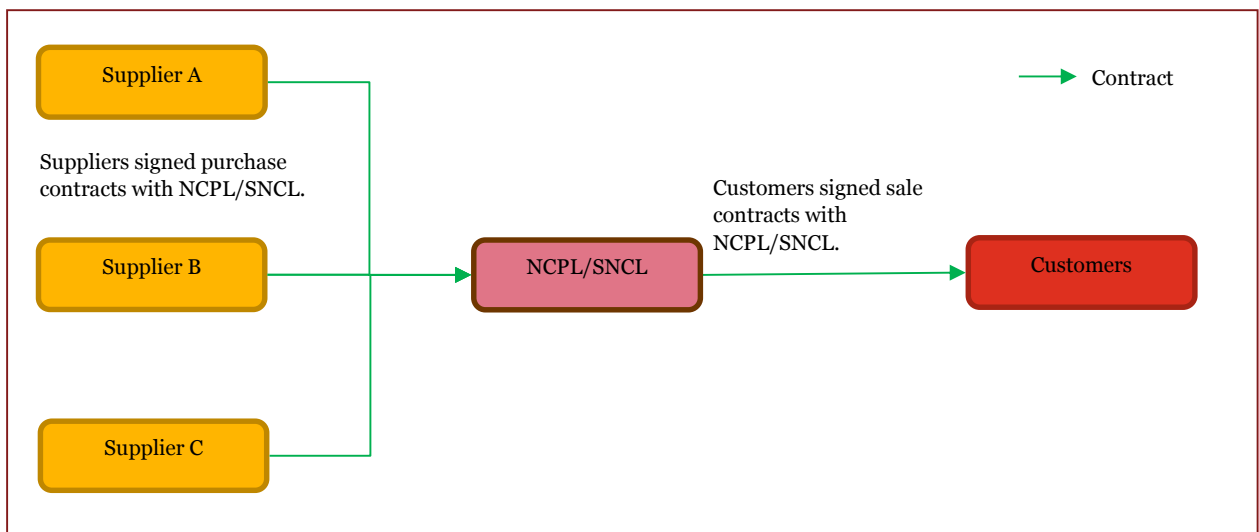
- 1.11. We have completed our work to the extent reasonably practicable. Our scope was limited by the following circumstances:
 - (a) We had requested through the Company to meet with the customers and suppliers to independently establish the nature of the relationship between the customers, suppliers, Yorkshire's trading subsidiaries and its agent, NSL. We understand that the customers and suppliers declined to meet;
 - (b) We had requested to interview three ex-staff who had joined NSL but subsequently redeployed to Yorkshire to assist in the trading operations. We were only able to conduct phone interviews with two staff. One staff declined to be interviewed;
 - (c) We had requested for access to the accounting records and staff of NSL in order to obtain additional information on Yorkshire's sale and purchase transactions and to ascertain the completeness of the transactions/business dealings with NSL. We were informed that NSL did not agree to the Company's request for access; and
 - (d) There were three sale and purchase transactions where the principal/agent roles were reversed and certain Yorkshire subsidiaries acted as agents for NSL. We requested for the underlying documents supporting these transactions but our requests was declined as we were informed that these documents did not belong to Yorkshire but to NSL.

1.12. We set out a summary of key findings in the remainder of this Section based on the work performed subject to the above limitations. References to specific suppliers and customers have been redacted due to confidential reasons.

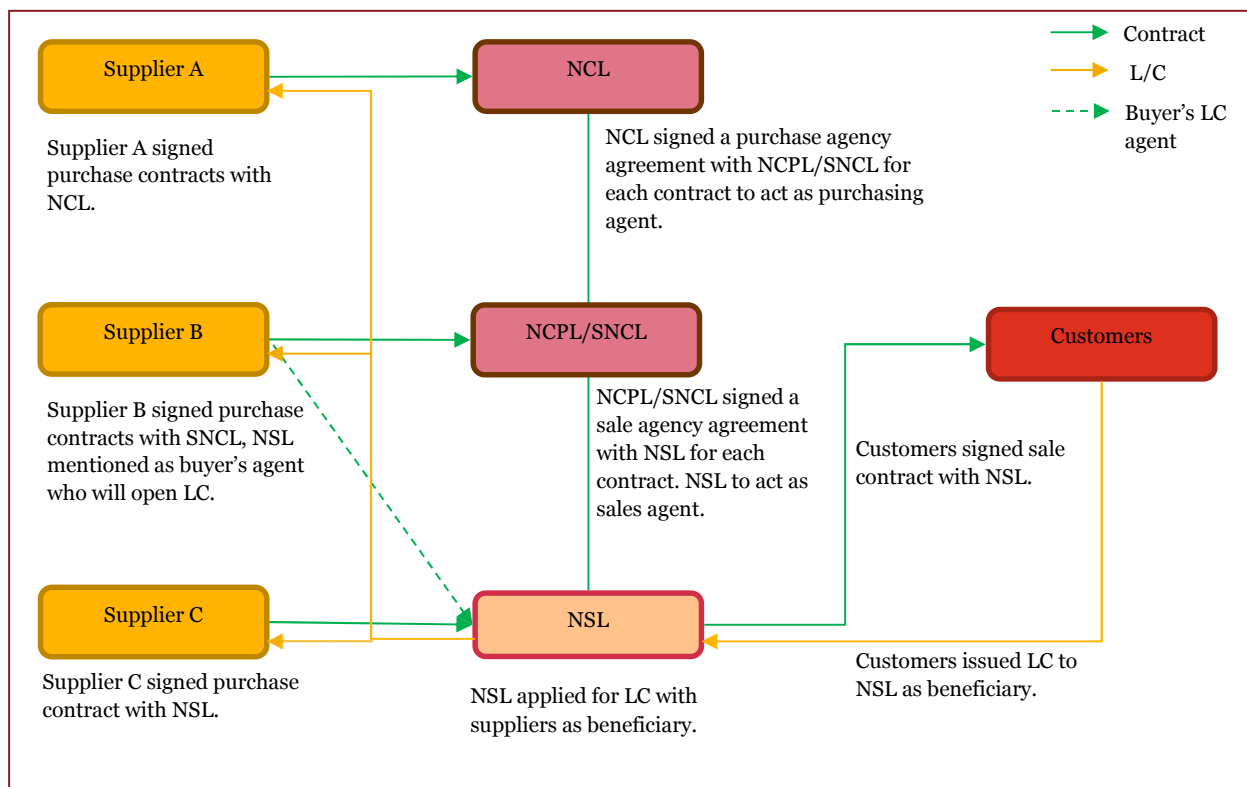
Findings on the two sets of sale and purchase contracts

Review of the two sets of sale and purchase contracts

1.13. As mentioned above, BT discovered two different sets of sale and purchase contracts during the course of their audit for the financial year ended 30 April 2017 (“FY2017”). The first set of contracts were supposedly signed between the Company’s wholly owned subsidiaries, Novo Commodities Pte Ltd (“NCPL”) and Novo Commodities (HK) Limited (formerly known as Novo Commodities Limited, Seychelles) (“SNCL”), directly with customers and suppliers. We set out below a table showing the contracts flow of this first set of contracts given to BT:



1.14. In respect of the second set of contracts, the sale contracts were all signed by NSL. For the purchase contracts, there were three suppliers to the Group i.e., Supplier A, Supplier B and Supplier C. For Supplier A, we understand that Novo Commodities Limited (“NCL”), another wholly owned subsidiary of Yorkshine, is the only party that can trade with the supplier as they are the only entity registered with Supplier A. Therefore, all purchase contracts with Supplier A were signed by NCL. NCL will sign a purchase agency agreement with its fellow subsidiaries NCPL and SNCL to buy on their behalf. For these contracts there is no mention of NSL acting as LC agent. For Supplier B, there is no difference between the first and second set of contracts, i.e., we see that purchase contracts are signed between Supplier B, SNCL (as buyer) and NSL (as buyer’s agent only for opening LCs). For Supplier C, we only see NSL signing as buyer.



- 1.15. According to our interviews with the Head of Operations of the Company, Mr. Samuel Ma Yiu Ming (“Samuel Ma”) and the Finance Manager of the Company, Ms. Jenny Yiu Lai Sin (“Jenny Yiu”), the first set of contracts (other than the purchase contracts with Supplier B) were supposedly created for BT sometime in May 2017 after a discussion between the Chief Executive Officer of the Company, Mr. Mark Chow Kin Wa (“Mark Chow”) and Samuel Ma (collectively, the “Management”) on how to “simplify the audit process”. We were informed that the discussion took place as the Group had changed the way they operated and were contracting through NSL instead of directly with customers and suppliers as in the past. Management stated that this set of contracts were never intended to be released to BT but due to miscommunication among the staff, these were provided to BT when they commenced their audit. Management subsequently voided these contracts (the “Voided Contracts”).
- 1.16. When BT discovered a different version of the contract signed by a different contracting party i.e., NSL, they requested for the full set of original contracts. However, Management informed us that there were no “original” contracts as trading activities are conducted through electronic communication and signed contracts are returned via email. Given BT’s request, we understand that the Company therefore prepared a new set of contracts and sent these to their customers and suppliers for them to sign and return (the “Revised Contracts”). This second set of contracts were not contemporaneous documents existing at the time of the transactions but were prepared sometime in July 2017.
- 1.17. As part of our work we requested to sight the contemporaneous documents supporting these transactions. We were provided with email correspondences with attached signed contracts which customers/suppliers returned electronically (the “Email Contracts”). We were also provided with project files of each of the back to back sale and purchase transactions. In each of

the project files we noted another set of contracts (the “Archived Contracts”). The terms of these two sets of contracts and contracting parties are the same as the Revised Contracts. We were told that the Archived Contracts were printed copies from the emails. However, when we reviewed the Email Contracts and compared these with the Archived Contracts, we noted inconsistencies in the signatures even though the terms of the contracts and contracting parties were the same. In particular, we noted instances in the Email Contracts where staff of NSL was signing as signatory of Yorkshire subsidiaries, and instances where staff of Yorkshire was signing as signatory of NSL. In the Archived Contracts, these inconsistencies in signatories appear to have been corrected. When we highlighted these inconsistencies to Management, we were told that these were errors.

PwC’s observations and recommendations

- 1.18. From our various interviews, it appears that the Voided Contracts and the Revised Contracts presented to BT did not exist at the time the trade was conducted and was only prepared for the purpose of the audit. The Voided Contracts were supposedly created sometime before or shortly after the commencement of the audit to “*simplify the audit process*”. The Revised Contracts were supposedly prepared when BT requested for the “*original*” contracts after the discovery of the existence of two different versions of contracts with different contracting parties.
- 1.19. From our analysis of the various sets of contracts, we note that in most instances, Samuel Ma signed for NCPL and SNCL and Ms. Shirley Chow Sheung Mei, in charge of finance of NSL (“Shirley Chow”), signed for NSL. However, we noted instances where Samuel Ma signed for NSL and some instances where Shirley Chow signed for NCL in the Email Contracts. [Note: We understand that Shirley Chow used to be a staff of Yorkshire but is now employed by NSL. As she appears to be signing NCL documents as well, we requested to meet with her to enquire on her role in NCL. However, we were informed that she declined to meet with us].
- 1.20. It appears that even for contracts that are supposedly prepared contemporaneously, there are two inconsistent versions, i.e., the Archived Contracts and the Email Contracts. There appears to be no clear policy guidelines or control to ensure that only authorised signatories are permitted to sign contracts. It is unclear why the NSL staff is able to sign contracts as a Yorkshire signatory to confirm trades with suppliers. This situation exposes the Company to the risk that trades are transacted and confirmed by unauthorised person.
- 1.21. In addition, it is a concern that staff and Management appear to view the practice of preparing supporting documents/contracts after the event to satisfy BT, as an acceptable practice. The Voided Contracts, by Management’s own admission, does not reflect the substance of the underlying transactions. Such a practice exposes the Group to significant risk from a corporate governance and controls perspective. It also puts into question whether formal agreements/contracts/documents generated by the Group can be relied upon to reflect the true nature and substance of underlying transactions.
- 1.22. We believe that the BOD should consider taking strong disciplinary action against all staff involved in this incident. The BOD should also ensure that they communicate to all staff and management that such practices cannot be condoned. We recommend that the BOD consider putting in place a programme to train and educate all staff and management on the Company’s expectations in order to strengthen the governance and compliance culture in the Group. This programme should include awareness training of the Group’s Code of Conduct and Ethics policies.

Findings on the underlying contracts and supporting documents in relation to the sale and purchase transactions

Review of underlying contracts and supporting documents

- 1.23. Based on our review of the Email Contracts we noted that there were 14 sale transactions where Yorkshire subsidiaries were supposedly the principals and NSL acted as agent. From the documents we sighted there appears to be no disclosure of Yorkshire subsidiaries as the seller for the 14 sale transactions. Customers issue LCs to NSL as beneficiary. On the purchases side, there were 12 underlying purchase contracts, of which 11 reflected Yorkshire subsidiaries as the purchaser and, one recorded NSL as direct purchaser. However the purchase LCs show that NSL is the applicant for all the purchases with no mention of Yorkshire subsidiaries as the purchaser.
- 1.24. BT as part of their audit noted that, in addition to the 14 sale transactions, there were some contracts where Yorkshire and NSL's role as principal and agent were reversed. When we queried Management, we were informed that there were three such transactions in FY2017, subsequent to the 14 transactions, where Yorkshire subsidiaries acted as purchase agents on behalf of NSL. Management stated that these three transactions had higher risk due to the market volatility at that time. As Zhu Jun had given specific instructions not to engage in risky trades, Management therefore passed these trades to NSL to take up. The three transactions are not recorded in the books of NCL and SNCL.
- 1.25. Based on our review of available underlying documents supporting the trades, there appears to be no clear difference between the trades recorded by Yorkshire as principal when compared to the trades where Yorkshire entities supposedly acted as agents, except that for the first 14 transactions, there are LC and sales agency agreements signed with NSL as agent, and for the subsequent three transactions, there are purchase agency agreements signed with Yorkshire subsidiaries as agents.
- 1.26. In the agency agreements signed with NSL as agent, it is recorded that Yorkshire subsidiaries undertake to indemnify all legal liabilities for any acts/faults/omissions made by NSL in connection with matters under the instruction of Yorkshire subsidiaries. In the agency agreements signed with Yorkshire subsidiaries as agent, the roles of NSL and Yorkshire subsidiaries are reversed.
- 1.27. While Management stated that the three contracts where Yorkshire acted as agents were higher risk, we are not able to independently corroborate this as we were not given access to any of the underlying sales, bills of lading and LC documents pertaining to these three transactions.
- 1.28. As part of our contracts review, we noted that the contract number referencing for all the 17 trades (14 Yorkshire trades and three NSL trades) are based on NSL's numbering system. However, these reference numbers were not in sequence as there were missing reference numbers. We were informed that the missing numbers were NSL's own trades. We have not been granted access to trace transactions through to NSL's records to establish the completeness of transactions and to determine how Yorkshire trades are recorded in NSL's books. We were only provided with selected bank statements of NSL to sight the individual

transaction line items representing the receipt of funds from customers and specific payments to suppliers.

- 1.29. We had requested for confirmations of transactions from customers and suppliers. As of the date of the report, two suppliers and nine customers out of three suppliers and 10 customers have responded to our confirmations. While the confirmations were sent out in the name of NCL, SNCL and NCPL, we noted that the customers had indicated on the confirmations that their transactions were with NSL.

Staffing arrangement between Yorkshire and NSL

- 1.30. We were informed in our interviews that five staff who used to be employed by Yorkshire had their employment contract terminated in May 2016 and were re-employed by NSL. Three of the staff were then immediately deployed to Yorkshire to help with its trading activities. It would appear from our interviews with the staff who were deployed back to Yorkshire that they continued with their previous roles and performed the same work they used to do (liaising with suppliers and customers, and assisting with the letter of credit). We understand that they also continued to remain in the same premises¹ as they were at previously. This premise is also the registered office of NSL, NCL and certain other Yorkshire subsidiaries. We were not able to determine what roles the remaining two staff performed as we were not provided access to these staff for interviews. However, from our review of documents, it would appear that they were involved in Yorkshire's trades. We understand that the salaries of these staff were paid by NSL from May 2016.
- 1.31. We were provided with the Non Disclosure Agreement ("NDA") signed between Yorkshire and NSL, all of which are dated 1 May 2016. In these NDAs, it is recorded that NSL has agreed to deploy three employees to Yorkshire with an open ended deployment period. We were informed that this arrangement is part of the overall arrangement between Yorkshire and NSL where NSL will act as the LC and sales agent of Yorkshire subsidiaries for a period of one year. Other terms in the NDAs include:
- (a) The three employees would work from Yorkshire's office and share the office facilities including email addresses.
 - (b) Yorkshire is responsible for decision making, and agrees to undertake, confirm, admit, ratify and indemnify any actions, faults and/or omissions made by NSL.
 - (c) NSL will not disclose any secret, confidential, sensitive and unique commercial information to any third parties unless approval has been obtained from Yorkshire in advance.

Use of NSL domain name

- 1.32. We noted in our review of email correspondences with suppliers and customers that the email domain name used by the people involved in the trading activities was novostal.com. This included Mark Chow, Dicky Yu as well as the NSL staff that were deployed to Yorkshire.
- 1.33. As NSL is not part of the Group, this raises the question of why Yorkshire uses novostal.com as their email domain. When interviewed, Management stated that this domain name has been used by them to correspond with their customers and suppliers since 2005 and they did not change it as it would confuse the customers and suppliers (this domain name was registered by

¹ This premise is rented by the Group since 2007.

one of Yorkshine's subsidiaries in 2005 and remains active). When asked who pays for the maintenance of the domain name, we were informed that NSL has been paying for the maintenance since February 2016. If this is the case, it raises the further question of which entity the domain name belongs to currently. We requested for historical trade documents and correspondence for 2015 to corroborate Management's representation on the use of this domain address for its trading activities. We note from these documents and correspondences provided that this domain address had also been used then.

- 1.34. We find this arrangement on the use of the novostal.com email domain unusual as it is unclear who the staff represents when they communicate with external parties. It is also unclear why Dicky Yu would be allowed to use this domain name if it belongs to the Group. On the other hand, if this domain name belongs to Dicky Yu, then it raises the question of who the staff, including Mark Chow, represents when liaising with third parties. [Note: We understand that Mark Chow also has a separate Yorkshine email address mark@novogroupltd.com.]
- 1.35. From the customer's perspective, it is unclear as to who they view as the seller for the 14 transactions where Yorkshine subsidiaries are the principal and the three subsequent transactions where Yorkshine subsidiaries are agents. Even though Management is of the view that these customers have a long standing relationship with Yorkshine, all documents supporting the sales transactions and email communications raise the question of whether the seller is NSL or Yorkshine. We have not been able to speak to the customers on this matter as we understand from management that the customers declined to be interviewed. Nevertheless it would appear from confirmations received that customers view the seller as NSL.

Cash flow management

- 1.36. Based on our review of the cash flow movements of the trading subsidiaries, we note that funds are received from NSL. However, instead of the net margin of each of the 14 transactions being remitted to the respective Yorkshine entities immediately after each transaction was completed, lump sum amounts appear to be remitted as and when the trading subsidiaries run low on cash. We understand that the trading finance team would liaise with Shirley Chow to arrange for the funds to be transferred.
- 1.37. During FY2017, NSL made 14 transfers to Yorkshine amounting to US\$1,603,409. However, the net margin arising from the 14 transactions only amounted to US\$667,852. Management confirmed that in addition to the specific trades, NSL also financially supports the day to day working capital requirements of the entire trading operations.

PwC's observations and recommendations

- 1.38. From our work done, we summarise below our observations in relation to these transactions:
- (a) There appears to be no clear difference between the trades recorded by Yorkshine as principal when compared to the trades where Yorkshine entities supposedly acted as agents based on the documents sighted, except that for the first 14 transactions, there is an agency agreement signed with NSL acting as agent, and for the subsequent three transactions, there is an agency agreement signed with NCL/SNCL acting as agent. While Mark Chow suggests that the three contracts where Yorkshine acted as agents were higher risk, we are not able to independently corroborate this as we were not able to sight to any of the underlying documents pertaining to these three transactions.

- (b) We understand that the number referencing of all trades are based on NSL's numbering systems. We note that there were missing reference numbers in the 14 transactions we reviewed. We were informed that the missing numbers are NSL's own trades.
- (c) We were not able to trace transactions through to NSL's records to establish the completeness of Yorkshine's transactions and to determine how Yorkshine trades are recorded in NSL's books. We have only sighted the individual transaction line items in the relevant bank statements of NSL showing the receipt from customers and settlement with suppliers based on the LC reference number of the 14 transactions.
- (d) It is unclear who the staff deployed from NSL to Yorkshine is working for even though there are resignation letters recording that they have resigned from Yorkshine. The NDA record that they are immediately deployed back to Yorkshine to perform the same work they used to perform.
- (e) It is unclear when staff communicate with external parties such as customers and suppliers, who they hold themselves out to be working for as the email addresses and sign offs in the emails sighted are from the domain name novostal.com. As we understand that the maintenance of the domain name was paid by NSL since February 2016, it raises questions as to which entity the domain name belongs to and whether these trades performed are Yorkshine's trades or NSL's trades.
- (f) Cashflow for trading operations appear to be managed entirely by NSL and monies are released only when the trading operations run low in cash.
- (g) From the perspective of the banks granting the LC facilities, there appears to be no disclosure of the financing arrangement/agency relationship between Yorkshine and NSL as the LC documents sighted make no reference to Yorkshine or its subsidiaries. We are unable to comment whether this arrangement would expose the Group to any risk from a legal perspective.
- (h) From the customer's perspective, it is unclear as to who they view as the seller for the 14 transactions and subsequent three transactions. Even though Mark Chow and Samuel Ma are of the view that these customers have a long standing relationship with Yorkshine, all documents supporting the sales transactions and email communication raise the question of whether the seller is NSL or Yorkshine. While we have not been able to interview the customers on this matter as the customers declined to be interviewed, customers' confirmations received indicated that the customers view the seller as NSL.

1.39. The business arrangement and relationship between Yorkshine and NSL have resulted in a fairly complex and confusing environment. This situation is exacerbated by the following circumstances:

- (a) The setup of NSL using the identical name of the previous associate company of the Group may give the apparent impression that this is the old company under the Group;
- (b) The arrangement between Yorkshine and NSL where Yorkshine staff in the trading operations are terminated, employed by NSL and re-deployed back to Yorkshine but performing the same role and work they were previously doing creates a situation of potential conflict of interest as staff resources appear to be co-mingled and it is unclear who they represent. As mentioned in previous paragraphs above, we have noted instances where staff from NSL have signed contracts as signatory for Yorkshine and vice versa; and
- (c) The continued use of the domain name novostal.com in communication with external parties by both NSL and Yorkshine staff also raises key questions on who customers are trading with.

- 1.40. In addition to the above it is unusual that the Group's entire existing operations comprising only its trading activities are entirely funded by NSL. This situation raises the question of the level of influence NSL has over the Group's activities and transactions. It also raises the question on whether transactions recorded are complete. Without access to the full accounting records of NSL, we are not able to comment further.
- 1.41. We had recommended that the BOD seek legal advice on whether the above fact pattern supports the Group's position on the principal/agent relationship and whether the financing arrangement exposes the Group to any legal risk with the banks providing the LC facilities. We understand that the BOD has since obtained legal advice² to confirm that:
- (a) The contracts and agency agreements are consistent with the Group's position on the principal/agent relationship. Based on the fact pattern, the respective Yorkshine subsidiary is considered an undisclosed principal from a legal perspective; and
 - (b) There is no legal liability to the issuing banks for the LC arrangements as the 14 transactions have been completed and fully settled.
- 1.42. Notwithstanding the above, we recommend that the BOD commission a thorough review of this arrangement with NSL both from the operations and staffing perspective to ensure that there is a clear governance structure and delineation around all dealings with NSL to prevent potential conflict of interest arising from the co-mingling of resources. There should be specific policies setting out the staff who are authorized to sign contracts. There should also be clear security protocols over the access to Company data.

Compliance with SGX/HKSE listing rules

- 1.43. Under HKSE Listing Rules Chapter 14A, a person who was a director of the listed issuer or any of its subsidiaries in the last 12 months falls under the definition of a Connected Person. In this case, Dicky Yu who resigned as director of Yorkshine on 27 November 2015, is a connected person of Yorkshine until 26 November 2016 ("Connected Period") pursuant to these rules. During the Connected Period, as NSL is wholly-owned by Dicky Yu, transactions and business dealings between NSL and Yorkshine will fall under the definition of connection person transactions ("CPT").
- 1.44. Pursuant to HKSE Listing Rules Chapter 14A, the CPT must be conditional on shareholders' approval at a general meeting held by the listed issuer. Any shareholder who has a material interest in the transaction must abstain from voting on the resolution. The rules also state that the Company is required to make an announcement on the CPT as soon as practicable after its terms have been agreed. However, to-date, we understand that Yorkshine has not sought shareholders' approval nor made any announcement on the CPT with NSL as we understand from Mark Chow that the CPT are fully exempt from disclosure under Section 14A.90 and 14A.76 of the HKSE Listing Rules. We understand that the BOD has subsequently obtained legal advice that confirms that these exemptions are applicable to the Group.
- 1.45. During our interviews with the Company's Internal Audit Manager (who joined the Group in January 2017), we were informed that while there was no formal policy in place on the identification, evaluation and approval of CPT, the Company had a process to submit a declaration on CPT on a quarterly basis. However, based on our discussion, we noted that Management does not appear to be familiar with the definition of CPT. This lack of awareness

² The legal advice dated 27 November 2017 was issued by David Norman & Co.

resulted in the declaration being inaccurate and the process ineffective. We understand that it was only on 28 March 2017, that a formal policy on the identification, evaluation, approval and reporting of CPT was rolled out.

- 1.46. While we note that a framework for the identification, evaluation, approval and reporting of CPT has now been implemented, the Audit Committee (“AC”) should satisfy itself that this framework is effective and will provide reasonable assurance that CPT will be identified, evaluated, presented for review and approval, and promptly announced where applicable. We would recommend that management and staff undergo regular training to ensure that they have a clear understanding of CPT moving forward.

Disclaimers

- 1.47. PwC has not been asked to (and it has not) comment on, review or assess the validity or enforceability of the documents provided to PwC. The procedures that PwC performed under this engagement do not constitute an audit or review in accordance with generally accepted auditing or attestation standards. PwC has not audited or otherwise verified the information supplied to it in connection with its work from whatever source except as specified herein.
- 1.48. PwC’s findings are based on documents and information relevant to its scope of work that were made available to PwC up to 27 November 2017. Documents or information provided to PwC after 27 November 2017 may have an impact on the Report. PwC reserves its right to correct any part of its findings as and when such documents or information emerge.
- 1.49. PwC makes no representation and gives no warranty to any person (except to the extent provided in its engagement letter dated 24 August 2017) as to the accuracy or completeness of the Report. PwC does not accept or assume responsibility for its work and the Report to any other party except to Yorkshine, HKSE and SGX. PwC’s work was not planned or conducted in contemplation of reliance by any other party. Therefore, items of possible interest to any other party will not be specifically addressed and matters may exist that would be assessed differently by any other party.