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

OVERSEAS REGULATORY ANNOUNCEMENT MODIFIED OPINION BY AUDITORS IN RESPECT OF FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 30 APRIL 2019

This overseas regulatory announcement is a reproduction of the announcement made by Yorkshine Holdings Limited (the "Company"), regarding the qualified opinion by auditors in respect of financial statements for financial year ended 30 April 2019 for compliance with Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The announcement on the next page is prepared in accordance with relevant regulations of the Singapore Exchange Securities Trading Limited.

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

Hong Kong, 10 July 2019

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

* *For identification purposes only.*

The Company's independent auditor, Baker Tilly TFW LLP had issued a modified opinion on the consolidated financial statements of the Group and statement of financial position and statement of change in equity of the Company for the year ended 30 April 2019 (the "Audited Financial Statements").

A copy of the Independent Auditor's report together with extract of relevant part of Notes 3, 12, 16, 20 and 33 to the Audited Financial Statements are as follows:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COMPANY

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Yorkshine Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 24 to 98, which comprise the statements of financial position of the Group and the Company as at 30 April 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect on the comparability of figures as described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 April 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Qualified Opinion

Comparability of figures

In the previous financial year ended 30 April 2018, the Group recognised an impairment loss on property, plant and equipment amounting to US$11,720,000 and the Company recognised impairment losses on investments in subsidiaries and amount due from subsidiary amounting to US$79,460,000 and US$31,497,000 respectively in the Company's profit or loss.

We expressed a qualified opinion on the financial statements of the Group and the Company for the financial year ended 30 April 2018 as we were unable to determine how much of the impairment losses on the property, plant and equipment, investments in subsidiaries and amount due from subsidiary, if any, relates to the profit or loss in years prior to the financial year ended 30 April 2018. Consequently, we were unable to determine whether any adjustments might be necessary to the profit or loss for the previous financial year ended 30 April 2018 and opening accumulated losses as at 1 May 2017 of the Group and the Company.

Our opinion on the current financial year's financial statements is modified because of the possible effect of the above matters on the comparability of the current year's figures and the corresponding figures.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 to the financial statements with respect to the Group's and the Company's ability to continue as going concerns. The Group reported a net cash used in operating activities for the financial year of US$4,628,000 (2018: US$8,609,000). As at 30 April 2019, the Group's current liabilities exceeded the current assets by US$32,296,000 (2018: US$57,595,000) and the Company's current liabilities exceeded the current assets by US$497,000.

These factors indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, for the reasons disclosed in Note 3 to the financial statements, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 30 April 2019 is appropriate. Our opinion is not further modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2019 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Because of the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* section and *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment review of the Group's property, plant and equipment

As disclosed in Note 12 to the financial statements, the Group's property, plant and equipment as at 30 April 2019 amounted to US$41,326,000 after deducting accumulated impairment losses of US$10,295,000. This represents approximately 80% of the Group's total assets as at 30 April 2019.

As disclosed in Note 3 to the financial statements, management has performed impairment assessment on property, plant and equipment and determined the recoverable amount of the assets based on value-in-use using discounted cash flow method.

Impairment review of the Group's property, plant and equipment is considered a key audit matter due to the significance of this amount to the Group's consolidated financial position. In addition, there are significant judgement and estimations involved in the calculation of the recoverable amounts, in particular relating to forecasted cash flows and the discount rate applied to the value-in-use calculation.

Our procedures to address the key audit matter

In the course of our Group audit, we have evaluated the independence, objectivity, capabilities and competence of the component auditor of the subsidiary companies. We also engaged in continuous communications with the component auditor throughout the audit and reviewed the reply to audit instructions by the component auditor to satisfy our group audit requirements.

We have evaluated the sufficiency and appropriateness of the audit work performed and evidence obtained by the component auditor in their audit of management's impairment assessment of the property, plant and equipment of the subsidiary companies. We also evaluated independently the value-in-use calculation and assessed reasonableness of the key assumptions and inputs applied in the computation of the recoverable amounts of the Group's property, plant and equipment.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Extracted from relevant part of Notes 3, 12, 16, 20 and 33 to the Audited Financial Statements of the Company for the financial year ended 30 April 2019.

3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

Going concern assumption

The Group reported a net cash used in operating activities for the financial year of US$4,628,000 (2018: US$8,609,000). As at 30 April 2019, the Group's current liabilities exceeded the current assets by US$32,296,000 (2018: US$57,595,000) and the Company's current liabilities exceeded the current assets by US$497,000.

These factors indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, the Directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 30 April 2019 is appropriate after taking into consideration the following factors:

(i) The immediate and ultimate holding company and ultimate controlling party of the Group agree to unconditionally provide continuous financial assistance to the Group in order to meet its obligations and to carry on its business for a period of not less than twelve months from the date of the letter of financial assistance, i.e. 10 July 2019. The amounts owing to immediate and ultimate holding company and ultimate controlling party of the Group amounted to US$20,853,000;

(ii) As disclosed in Note 12, a subsidiary within the tinplate manufacturing segment that suspended its operations since financial year ended 30 April 2015 has resumed its operations in May 2018 with revenue generation commencing June 2018; and

(iii) The Group and the Company are able to obtain banking facilities for their working capital requirements for the next twelve months as and when required.

The Directors of the Company are of the view that the continuing financial support from the immediate and ultimate holding company is a key factor for the Group and the Company to continue their operations as going concerns. The Directors have assessed and are satisfied with the willingness and financial ability of the immediate and ultimate holding company to provide such financial support to the Group and the Company to meet their working capital requirements and obligations as and when they fall due.

Management has taken the following measures to improve the Group's operational performance and financial position:

(i) Adopting a disciplined and prudent approach to capital allocation. Management shall constantly review capital expenditure and investment plans so as to manage a balanced business portfolio to optimise profitability;

(ii) Improving operational performance by focusing on cost reduction and operation efficiency while exploring all the opportunities to increase the use of the capacity of the tinplate manufacturing plant; and

(iii) Opening up financing channels and allocate resources to potentially growth business in order to create a balanced and growth portfolio. Management shall invest in new business with profitable and stable income.

For these reasons, the financial statements have been prepared on the assumptions that the Group and the Company will continue as going concerns. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values.

The Group reviews the useful lives and residual values of property, plant and equipment at the end of each reporting period in accordance with the accounting policy in Note 2(f). The estimation of the useful lives and residual values involves assumptions concerning the future and estimations of the assets common life expectancies and expected level of usage.

The carrying amount of property, plant and equipment at 30 April 2019 and the depreciation charge for the financial year ended 30 April 2019 are disclosed in Note 12.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for property, plant and equipment, investment property and land use rights in accordance with the accounting policy in Note 2(h). An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use.

When value-in-use calculations are undertaken, the expected future cash flows from the asset or cash-generating unit and a suitable discount rate are required to compute the present value of those cash flows. These value-in-use calculations require the use of considerable judgements, estimates and assumptions. Changes in these assumptions and estimates could have a material effect on the determination of the recoverable amount of the property, plant and equipment and land use rights.

Yorkshine New Material (Taizhou) Limited ("YNMT"), a PRC subsidiary within the tinplate manufacturing segment that suspended its operations since the prior financial year ended 30 April 2015 has resumed its operations in May 2018. The aggregate net carrying value of property, plant and equipment and land use rights relating to YNMT as at 30 April 2019 was US$41,290,000 (2018: US$42,724,000) and US$2,491,000 (2018: US$2,162,000) respectively.

An impairment test to determine the recoverable amount of the property, plant and equipment and land use rights relating to YNMT was performed to assess whether any impairment loss is required as at 30 April 2019.

The recoverable amounts of property, plant and equipment and land use rights are determined from value-in-use calculations. The key assumptions and inputs for the value-in-use calculations are those regarding the sales volume, gross profit margin and discount rate. The sales volume and gross profit margin are based on past performances and future expectations in the market. Management estimates discount rates using pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to their industry.

Based on impairment test performed, no further impairment loss on property, plant and equipment was recognised in the Group's profit or loss for the financial year ended 30 April 2019 (2018: US$9,920,000) in order to adjust the carrying amount of the YNMT's property, plant and equipment to its recoverable amount as at 30 April 2019.

In addition, an impairment loss of US$375,000 on property, plant and equipment relating to Organic Beer Hong Kong Limited ("OBHK") was recognised as at 30 April 2019 to adjust the recoverable amount of OBHK's property plant and equipment to its recoverable amount as at 30 April 2019.

The net carrying values of the Group's property, plant and equipment, investment property and land use rights at the end of the reporting period are disclosed in Notes 12, 13 and 14 respectively.

12 Property, plant and equipment

During the current financial year, a review of the recoverable amounts of the property, plant and equipment ("PPE") of the Group as at 30 April 2019 was carried out. An impairment loss totaling US$375,000 (2018: US$11,720,000) was recognised in the Group's profit or loss.

YNMT

The recoverable amount of the PPE relating to YNMT, the major operating subsidiary, was determined based on its value-in-use calculations. The value-in-use calculations used cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using estimated terminal year growth rate of 3% (2018: 3%), which does not exceed the average long-term growth rate for the relevant industry. The pre-tax discount rate used to discount the cash flow forecasts is 14% (2018: 14%). As a result of the review, no additional allowance for impairment was considered necessary for YNMT's PPE the financial year ended 30 April 2019.

The key assumptions used in the value-in-use calculations are those regarding the sales volume, terminal year growth rate and discount rate. The sensitivity analysis on the changes in these key assumptions on the recoverable amount of the YNMT's PPE are as follows:

	Estimated recoverable amount	**(Decrease)/ increase in impairment charge**
	US$'000	*US$'000*
Sales volume		
– 5% higher	56,340	(9,920)
– 5% lower	34,753	9,028
Terminal year growth rate		
– 1% point higher	49,287	(5,506)
– 1% point lower	42,429	1,352
Discount rate		
– 1% point higher	39,564	4,217
– 1% point lower	52,781	(9,000)

OBHK

As a result of the review, an impairment loss of US$375,000 is recognised in the Group's profit or loss for the year ended 30 April 2019 to fully impaired the property, plant and equipment as OBHK is inactive and in capital deficiency position as at 30 April 2019 and there is no future plan for the operation of OBHK.

XHDD

An impairment loss of US$1,800,000 was recognised on XHDD's PPE as at 30 April 2018. The equity interest of XHDD was disposed in September 2018.

The fair value measurements for the above-mentioned recoverable amounts are categorised in Level 3 of the fair value hierarchy.

16 Investments in subsidiaries

During the previous financial year, an impairment test for the investments in subsidiaries was performed. As most of the Company's subsidiaries are inactive and in capital deficiency position as at 30 April 2018, an impairment loss of US$79,460,000 was recognised in the Company's profit or loss during the previous financial year ended 30 April 2018 to adjust these subsidiaries to their recoverable amounts. The recoverable amounts of these investments have been determined based on net assets value of the subsidiaries as at 30 April 2018, which approximate the recoverable amounts of the investments in the subsidiaries.

The amount due from subsidiary is not expected to be recovered as the subsidiary has been inactive and is in capital deficiency position as at 30 April 2018. Accordingly, the Company recognised full impairment loss on amount due from subsidiary amounting to US$31,497,000 in the Company's profit or loss during the previous financial year.

(d) Disposal of subsidiaries

On 21 September 2018, the Group disposed of its entire 60% equity interest in Xing Hua City Daduo Sewage Treatment Co. Ltd. ("XHDD") for a consideration of RMB4.2million (approximately US$624,000).

On 15 April 2019, the Group disposed of its 100% equity interest in two subsidiaries, NCL and NOHL for considerations of HK$390 (approximately US$50) and HK$390 (approximately US$50) respectively.

20 Borrowings

(a) Terms and conditions

(iv) Loans from former immediate and ultimate holding company are unsecured, interest-free and repayable on 1 August 2018.

Pursuant to a letter dated 11 July 2018 (the "2018 Letter") addressed to the Company and five of its subsidiaries (the "Relevant Subsidiaries"), New Page Investments Limited ("New Page"), a former immediate and ultimate holding company, demanded that the Company and the Relevant Subsidiaries to repay on or before 1 August 2018 (being the maturity date of the Loan Agreements) a total sum of US$33,248,000 (the "New Page Loans"), being the aggregate outstanding amount due from the Relevant Subsidiaries to New Page pursuant to various loan agreements entered into between each of the Relevant Subsidiaries and New Page between 2015 and 2016 (and as extended by various extension letters in 2017) (the "Loan Agreements").

By a letter dated 15 May 2019, New Page again demanded the Company to pay the sum of US$33,248,000, within the next 7 days from the date of the letter.

The Company has demanded supporting documents in particular the remittance and transactions to substantiate the validity of the New Page Loans. As at the date when these financial statements were approved for issue by the Board of Directors, neither legal demand for settlement nor reply for information requested has been received from New Page.

The Relevant Subsidiaries are in net liabilities position and have been inactive with no business operations for more than a year. On 15 April 2019, the Group disposed two of the Relevant Subsidiaries (the Disposal Transaction") to a company wholly-owned by Mr. Zhu Jun, the Executive Chairman, the Executive Director and controlling shareholder of the Company for a consideration of US$100. The Disposal Transaction was completed in April 2019. Upon completion, the two Relevant Subsidiaries are no longer consolidated to the Group. The Board of Directors are of the view that with the Disposal Transaction, the Group is no longer liable to New Page for the loans of US$29,408,000. The amount due to the former immediate and ultimate holding company was reduced to US$4,718,000 as at 30 April 2019.

33 Significant events after the reporting period

On 20 June 2019, the Group disposed two subsidiaries NCPL and NMSL to a company wholly-owned by Mr. Zhu Jun, the executive Director and controlling shareholder of the Company for a consideration of HK$780 (equivalent to approximately US$100) (the "Disposal"). Given that the two disposed subsidiaries have been inactive with no business operations for more than a year and are still in net liability position as at the date of disposal, the Directors are of the view that the foregoing disposal (together with the consideration) is fair and reasonable and in the interests of the Company and its shareholders as a whole. The Board will continue to review and assess the group structure and the overall financial position of the Group and carry out further restructurings as and when appropriate. Upon completion of the of the Disposal, each of NCPL and NMSL will cease to be subsidiaries of the Company, approximately US$6.5 million net liabilities will be derecognised from the Group.