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## **YORKSHINE HOLDINGS LIMITED**

**煜新控股有限公司\***

*(incorporated in the Singapore with limited liability)*

*(Company Registration No. 198902648H)*

**Hong Kong Stock Code: 1048**

**Singapore Stock Code: MR8**

### **UPDATES ON RECENT DEVELOPMENT – INTERNAL CONTROL REPORT**

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

#### **INTERNAL CONTROL REPORT**

References are made to the Company’s announcements dated 1 August 2017, 30 October 2017, 26 July 2018, 31 July 2018, 18 September 2018 and 9 November 2018, relating to amongst others, the conditions for resumption of trading of the shares of the Company and update on the Company’s resumption plan and business operations.

On 29 November 2018, SHINEWING Risk Services Limited (“**Internal Control Reviewer**”) issued a report regarding its internal control review of the Group (“**Report**”).

#### **Background**

The internal control review of the Group was undertaken by the Internal Control Reviewer during the period from June to September 2018 and the follow up review was undertaken during the period from October to November 2018.

The Report covered the internal control review of the Company and its major operating subsidiaries. Subsidiaries which are holding companies and have no active operations were not included in the scope of review.

During the period under review, the Group is engaged in the sale and manufacturing of tinfoil (“**Tinfoil Manufacturing Business**”) and operation of an organic beer brewery in Hong Kong (“**Organic Beer Business**”).

**Summary of the key findings of the internal control review and action(s)/measure(s) taken:**

| <b>Area</b>                          | <b>Finding(s)</b>   | <b>Action(s)/measure(s) taken</b>  |
|--------------------------------------|---|--|
| Financial close reporting procedures | <ul style="list-style-type: none"> <li>- All of the Financial Controller, the Finance Manager and the Assistant Finance Manager own administrative rights in the accounting system and access rights to the accounting system is not properly assigned.</li> <li>- All staff in the Finance Department of Yorkshine New Material (Taizhou) Limited (“<b>Yorkshine New Material</b>”) own rights of monthly closing and reversal of closing and the rights to amend accounting vouchers, user account access right and chart of accounts.</li> <li>- No records of requisition and approval of changes to user account, user access right and chart of accounts. Review records of chart of accounts is not retained.</li> </ul> | <ul style="list-style-type: none"> <li>- User rights have been properly assigned in accordance with job duties and responsibilities.</li> <li>- System administrative rights have been assigned to the IT Manager.</li> <li>- Policies and procedures with respect to the addition, amendments and deletion of user accounts, access right and chart of accounts have been established.</li> <li>- For modification of chart of accounts, procedures have been established to have the Chart of Accounts Maintenance Form to be completed and approved.</li> <li>- Quarterly review of chart of accounts will be documented and approved by the Financial Controller and the Finance Manager.</li> </ul> |

| <b>Area</b>                                  | <b>Finding(s)</b>   | <b>Action(s)/measure(s) taken</b>   |
|--|---|---|
| Revenue and receipts                         | <ul style="list-style-type: none"> <li>– Income not recognized on the date of delivery of goods or acceptance of delivery by customers.</li> <li>– Records of customer background check not kept and no customers list is prepared</li> <li>– Chop application records not properly kept and contract number has not been assigned to sales contracts of the Organic Beer Business</li> </ul> | <ul style="list-style-type: none"> <li>– Income has been recognized with reference to the terms of the sales contract and delivery documents since August 2018 from the samples obtained.</li> <li>– New customer application forms adopted for recording information and background search records of customers.</li> <li>– Customer lists adopted for managing contact details of customers and contracts with customers.</li> <li>– Procedures of using company chops and contract management have been revised.</li> <li>– Contract summary lists containing information on contract number, contract parties and summary of terms have been set up and Internal Document Management Procedures have been revised.</li> </ul> |
| Cost, purchase, fees and expenses procedures | <ul style="list-style-type: none"> <li>– Purchases were recognized on the date of prepayment instead of the date of acceptance of delivery of goods.</li> <li>– Records for examination of goods and delivery of goods not kept.</li> <li>– Purchases were recognized with reference to the date of VAT invoice instead of date of acceptance of delivery of goods.</li> </ul>                | <ul style="list-style-type: none"> <li>– Vouchers for delivery of goods adopted to record the time and quality of goods accepted</li> <li>– Recognition of purchases and reversal of prepayment will be recorded with reference to the date of acceptance of delivery of goods.</li> <li>– Purchases were recognized according to the date of the acceptance of delivery of goods from the sample obtained.</li> </ul>  |

| <b>Area</b>              | <b>Finding(s)</b>   | <b>Action(s)/measure(s) taken</b>  |
|--------------------------|---|--|
| Bank and cash management | – Sole authorization from the Chairman is sufficient to authorize a payment.                    | – Procedures for dual signatures to authorize a payment has been put in place.   |
|                          | – Cheque number not recorded on the payment voucher.  | – Cheque books are kept by Finance Department and cheques will be prepared in accordance with the payment voucher.   |
|                          | – Information of bank payments and receipts not properly recorded in the bank movement summary. | – Finance Department has followed the prescribed procedures to record bank payments and receipts.  |
| Record maintenance       | – Records not properly kept.  | – Policies for record management has been established regulating management of vouchers, contracts and meeting minutes, setting of password for computers, length of keeping records and destruction of records. |

### **Results of the follow up review**

During the follow up review from October to November 2018, the Internal Control Reviewer noted that remedial actions have been taken by the Group to rectify the issues identified.

### **DISCLOSURE IN THE CORPORATE GOVERNANCE REPORT IN THE ANNUAL REPORT FOR THE YEAR ENDED 30 APRIL 2017**

References is made to the Corporate Governance Report (“**CG Report**”) in the annual report of the Company for the year ended 30 April 2017 in which it was disclosed that “*the Board with the concurrence of the Audit Committee is of the opinion that the Group’s internal controls were adequate to address the financial, operational, compliance and information technology controls and risk management systems to meet the needs of the Group in its current business environment*”.

The Company wishes to clarify that during the period covered by the GC Report, ie. the financial year ended 30 April 2017, the business of the Group was trading in commodities (“**Trading and Distribution Business**”). The Group has adopted the same internal controls during the time it was engaged in the Trading and Distribution Business. Hence the disclosure in the CG Report should be read in the context of the then business operation of the Group.

The Group has temporarily suspended the Trading and Distribution Business and since then the business of the Group comprised of Tinplate Manufacturing Business and Organic Beer Business. The internal control review by the Internal Control Reviewer has focused on the Company, the Tinplate Manufacturing Business and the Organic Beer Business.

### **CONTINUED SUSPENSION OF TRADING**

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

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

On behalf of the Board  
**Yorkshine Holdings Limited**  
**Zhu Jun**  
*Executive Chairman and Executive Director*

Hong Kong, 29 November 2018

*As at the date of this announcement, the Board comprises two executive Directors, being Mr. Zhu Jun (Executive Chairman) 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*