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## **EVERGREEN INTERNATIONAL HOLDINGS LIMITED**

**長興國際（集團）控股有限公司**

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

**(Stock Code: 238)**

- (1) UPDATE ON THE LOAN TRANSACTION**
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This announcement is made by the board of directors (the “**Board**”) of Evergreen International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2)(a) and 13.49(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

### **(1) UPDATE ON THE LOAN TRANSACTION**

Reference is made to the announcement of the Company dated 17 February 2020 (the “**Announcement**”) in relation to the Loan Transaction. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

#### **Formation of Independent Committee**

As disclosed in the Announcement, the Board has previously resolved to form an independent committee (the “**Independent Committee**”) comprising at least one member of the audit committee of the Company (the “**Audit Committee**”), a legal adviser and an individual with accounting expertise to, among other things, review the terms of the Loan Transaction and conduct due diligence on the Borrower and the Guarantor (“**Independent Review**”).

The Board wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that on 12 March 2020, the Independent Committee comprising Mr Fong Wo, Felix, Mr Cheng King Hoi, Andrew and Mr Ng Wing Fai, being the then independent non-executive directors of the Company, was formed and a written Terms

of Reference of the Independent Committee was adopted. The Independent Committee has also engaged its own legal adviser. The Board approved such composition of the Independent Committee, after having considered, among other things:

- (i) the nature of the Loan Transaction;
- (ii) circumstances under which the Loan Transaction was negotiated and executed based on information then currently available to the Directors; and
- (iii) the relevant professional background of the then independent non-executive directors; in particular, the fact that (1) Mr. Cheng King Hoi, Andrew is a member of the Audit Committee, (2) Mr. Fong Wo, Felix is a solicitor admitted in the High Court of Hong Kong and the Roll of Solicitors of England and Wales for over 20 years, (3) Mr. Ng Wing Fai is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales who has over 18 years of experience in audit and taxation, and

with a view to expedite the formation of the Independent Committee, save on costs on recruiting and engaging other individuals to become members of the Independent Committee, and commence the Independent Review as soon as practicable.

Reference is made to the Company's other announcement dated 31 March 2020 regarding the resignation of Mr. Fong Wo, Felix as an independent non-executive director of the Company with effect from 31 March 2020. Following the resignation of Mr. Fong Wo, Felix, the Independent Committee now comprises Mr. Cheng King Hoi, Andrew and Mr. Ng Wing Fai. Whilst the Independent Committee no longer has a member with legal expertise, the Board is of the view that the Independent Committee is in a position to continue to carry out its duties set out in the Terms of Reference of the Independent Committee given that the Independent Committee has appointed its own legal adviser.

As disclosed in the Company's other announcement dated 31 March 2020, the Company is in the course of identifying a suitable candidate with appropriate background to fill the vacancy arising from the resignation of Mr. Fong Wo, Felix.

### **Measures taken after the discovery of the Loan Transaction**

Whilst the Independent Review is underway, the Company has already taken the following measures after the discovery of the Loan Transaction.

- (i) On 27 February 2020, the Company appointed 北京市中倫(深圳)律師事務所 (Zhong Lun Law Firm Shenzhen Office\*) ("**Zhong Lun**") as its PRC legal adviser to advise on the terms of the transaction documents under the Loan Transaction and conduct due diligence on the Borrower and the Guarantor. In this regard, Zhong Lun attended the offices of the Borrower in Shaoguan, the PRC on 25 March 2020 and 26 March 2020 to conduct on-site due diligence, including interviewing the management of the Borrower, and has visited the local authorities and company registry.

- (ii) The Company has, on the basis of the advice of Zhonglun, sought to initiate negotiation with the Borrower and the Guarantor with a view to supplement the original terms of the Loan Transaction by entering into supplemental transaction documents under the Loan Transaction.
- (iii) The Board has resolved to enhance the Company's corporate governance and internal control system. In this connection, the Company issued a notice on 17 January 2020 regarding the strengthening of its internal control systems reminding all its staff of the internal control measures implemented by the Company.
- (iv) The Directors attended a directors' training specifically on Chapter 14 and 14A conducted by the Company's legal adviser on 12 March 2020.

Depending on the findings of the Independent Review and recommendations by the Independent Committee, the Company may adopt further remedial measures in relation to the Loan Transaction.

The Company will update the Shareholders and potential investors on the material findings of the Independent Review by way of further announcement(s) in a timely manner in accordance with regulatory requirements.

## (2) LETTER FROM AUDITORS

The Board wishes to further inform the Shareholders and potential investors that, while the Group was in the course of providing the required information to the auditors of the Company (the "**Auditors**") to perform the audit work for the year ended 31 December 2019, the Board and the Audit Committee received a letter dated 27 March 2020 from the Auditors ("**Letter**"), in which the Auditors raised a number of matters which they considered to be of significant concern in their audit work which have arisen from their review of the flow of funds of the amount of RMB350 million, as summarised below.

- (i) Based on online information obtained by the Auditors from one of the PRC banks with which the Group maintains accounts, the source of funds for the aggregate amount of approximately RMB350 million appeared to have been transferred first to the Lender by a company with a name similar to that of the Lender and which was not a member of the Group on 26 December 2019, before the Lender then advanced the same to the Borrower on the same date.
- (ii) There also appeared to be anomalies in the copies provided by the Group to the Auditors of time deposit slips and statements issued by another PRC bank with which the Group maintains accounts.

In the Letter, the Auditors suggested that a forensic accounting firm should be engaged to conduct an independent forensic investigation in respect of the matters described above and urged the Audit Committee and the Board to involve the Auditors in setting the scope of the such investigation and keeping the Auditors updated during the course of the investigation. The Auditors indicated that they have suspended their audit work and would evaluate how to proceed with the audit after receiving information and supporting documents regarding the investigation.

Upon learning of the matters described above, the Audit Committee proactively engaged the Company in addressing the relevant issues, including enhancing measures under the Independent Review.

The Company is now taking appropriate steps to address the situation, and in particular, the Independent Committee is identifying suitable independent forensic accountants to assist the Independent Committee and its legal adviser with the aforesaid investigation.

**(3) DELAY IN PUBLICATION OF THE 2019 ANNUAL RESULTS AND DESPATCH OF THE 2019 ANNUAL REPORT**

Pursuant to Rules 13.49(1) and 13.46(2)(a) of the Listing Rules, the Company is required to publish an announcement in respect of its preliminary results for the year ended 31 December 2019 (the “**2019 Annual Results**”) no later than 31 March 2020 and to send the annual report for the same period (the “**2019 Annual Report**”) to its Shareholders on or before 30 April 2020.

As disclosed in the paragraph headed “Letter from Auditors” above, the Auditors indicated that they have suspended their audit work. Additional time will also be required for the completion of the relevant investigation and for the Company to provide the required information to the Auditors to resume and complete the audit work in respect of the financial information of the Group for the year ended 31 December 2019. Accordingly, the Board hereby announces that the Company will not be able to (i) publish its 2019 Annual Results on or before 31 March 2020 and (ii) despatch its 2019 Annual Report to its Shareholders on or before 30 April 2020. The Board acknowledges such delay in publication of the 2019 Annual Results and delay in despatch of the 2019 Annual Report constitute non-compliance of Rules 13.49(1) and 13.46(2)(a) of the Listing Rules, respectively.

Whilst the suspension by the Auditors of their audit work is a material reason for the Company’s delay in publication of its 2019 Annual Results and despatch of its 2019 Annual Report, the restrictions resulting from the outbreak of the novel coronavirus (COVID-19) in the beginning of 2020 have also contributed to such delays. The outbreak has adversely affected the Group as commercial activities, transport and government services were either halted or maintained at limited levels for many provinces in the PRC. Due to the outbreak, there has been temporary suspension of the Group’s operations, and certain employees, including those in the finance and accounting departments, have been unable to work at the Group’s offices in accordance with the relevant government guidance. The Group’s communication with its banks was also affected by the suspension of working arrangements of such banks. As a result, even prior to the Board’s receipt of the Letter, the Group has encountered difficulty in supporting the Auditors in the audit work in respect of the Loan Transaction, such as by providing the Auditors with certain underlying financial documents and other verification documents.

Rule 13.49(3) of the Listing Rules provides that where an issuer is unable to issue its preliminary results, it must announce its results based on the financial results which have yet to be agreed with the auditors (so far as the information is available). The Board is mindful of Rule 13.49(3) of the Listing Rules and prior to its receipt of the Letter, has intended to publish the unaudited financial results of the Group for the year ended 31 December 2019.

After due and careful consideration (including the matters raised by and arising from the Auditors in the Letter), the Board is of the view that it would not be appropriate for the Company to publish the unaudited financial results of the Group for the year ended 31 December 2019 at this stage as they may not accurately reflect the financial performance and position of the Group.

#### **(4) POSTPONEMENT OF BOARD MEETING**

In light of the above, the Board meeting to approve, among other things, the 2019 Annual Results originally scheduled to be held on 31 March 2020 has been postponed.

#### **(5) CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 30 March 2020 pending the release of this announcement and will continue to be suspended until further notice.

The Company will make further announcement(s) to inform the Shareholders of (i) the date of the Board meeting to consider and approve the 2019 Annual Results, (ii) the date of the release of the 2019 Annual Results, and (iii) the date of despatch of the 2019 Annual Report as and when appropriate.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

On behalf of the Board  
**Evergreen International Holdings Limited**  
**CHAN Yuk Ming**  
*Chairman*

Hong Kong, 31 March 2020

*As at the date of this announcement, Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen are the Executive Directors of the Company; Mr. Cheng King Hoi, Andrew and Mr. Ng Wing Fai are the Independent Non-executive Directors of the Company.*