Evershine Group Holdings Limited
永耀集團控股有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 8022)

UPDATE ON MAJOR AND CONNECTED TRANSACTION: ENTERING INTO A SIDE LETTER TO THE ACQUISITION OF AN ADDITIONAL 30% EQUITY INTEREST IN THE TARGET COMPANY INVOLVING THE ISSUE OF THE PROMISSORY NOTE AND FURTHER DELAY IN DESPATCH OF CIRCULAR

Reference is made to the announcements of Evershine Group Holdings Limited (the "**Company**") dated 6 June 2017, 6 November 2017 and 6 December 2017 in relation to, among other things, the acquisition of an additional 30% equity interest in Boyracı Yapı İnşaat ve Taahhüt Gayrimenkul Yatırım Anonim Şirketi (the "**Target Company**"), involving the issue of the promissory note (the "**Acquisition**") and the announcements of the Company dated 29 June 2017, 28 July 2017, 17 August 2017, 28 August 2017, 11 September 2017, 25 September 2017, 20 October 2017, 16 November 2017, 30 November 2017 and 21 December 2017 in relation to the further delay in despatch of circular (collectively the "**Announcements**") regarding the Acquisition. Unless the context otherwise requires, terms used in this announcement shall have the same meanings as those defined in the Announcements.

This announcement is made pursuant to Rule 19.36A and Rule 20.33 of the GEM Listing Rules.

PROPOSED CHANGE TO THE ACQUISITION

On 26 February 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into a side letter (the "**Side Letter**") to the Sales and Purchase Agreement (as supplemented and amended by the supplemental deed dated 6 November 2017) with the Vendor and the Target Company, a 30% owned associate company of the Company, in relation to the transfer of a property currently owned by the Target Company to a New Company (as defined below) pursuant to the Proposed Restructuring as set out below.

The Proposed Restructuring of the Target Company

The subject property is a two-floor condominium namely Acarblu Apartmanı with gross saleable area of approximately 1,068 square meters (the "**Property**") and it was acquired by the Target Company in August 2016 at the cost of approximately TL10.5 million (or approximately USD3.0 million) for investment purpose. The current market value of Property is approximately TL31.4 million (or approximately USD9.1 million) (the "**Current Market Value**") based on a valuation report prepared by RM Ritim Gayrimenkul Değerleme A.Ş., a real estate valuation company based in Istanbul, Turkey.

Pursuant to the Side Letter, the Property will be transferred from the Target Company to a new company (the "**New Company**") at the original acquisition cost of the Property (the "**Proposed Restructuring**"). The New Company will be incorporated under the laws of Turkey by the Vendor and the Purchaser (or its fellow subsidiary) and the Vendor and the Purchasers will own 70% and 30% equity interest in the New Company respectively, which will have the same shareholding structure as the Target Company prior to the completion of the Proposed Restructuring and the Acquisition. The New Company will settle the consideration for its acquisition of the Property from the Target Company by way of taking up the shareholder's loan due from the Target Company to the Vendor of an equivalent amount.

In order to ensure that the Target Company will not suffer the loss of unrealized profit of approximately TL20.9 million (or approximately USD6.1 million) (the "**Unrealized Fair Value Gain**") that could have been generated if the Property were to be sold at the Current Market Value, the Vendor agreed to waive the shareholder's loan owed by the Target Company to the Vendor to the extent of the Unrealized Fair Value Gain. This waiver of shareholder's loan by the Vendor will be recognized as a shareholder contribution by the Target Company. The Vendor will not increase his shareholding in the Company as a result of the waiver of the shareholder's loan.

Reasons for the Proposed Restructuring of the Target Company

As informed by the Target Company, the Proposed Restructuring is based on the following reasons:

(a) The Target Company intends to focus on its principal business which is construction and contracting works in Istanbul, Turkey. The Property is only an acquired property of the Target Company for capital appreciation purpose, it is not part of the principal business of the Target Company, which is to develop urban re-construction projects. As such, the Target Company has been in discussion with various potential buyers regarding the disposal of the Property.

(b) The management of the Target Company is of the view that the Property, being an acquired commercial unit in a commercial centre, requires a different business strategy from that of the remaining self-developed residential properties.

(c) The management of the Target Company does not expect the Property can be sold within a short period of time and an early disposal at the Current Market Value can be achieved by way of the Proposed Restructuring.

(d) Based on an advice from a local tax adviser, if the Property were to be sold at its Current Market Value, based on preliminary assessment, the Target Company would incur substantial tax costs that could amount to approximately TL10.8 million (or approximately USD3.1 million) (the "**Relevant Taxes**") under the relevant Turkish tax laws and regulations and the Company will be sharing 60% of such Relevant Taxes if the sale were to be completed after the Acquisition.

(e) In terms of the cash flow of the Target Company after the Proposed Restructuring and the Acquisition, the Vendor, a 40% shareholder of the Target Company after the Acquisition, has made a pact with the Company that he would continue to provide financial support to the Target Company by guaranteeing not to demand for repayment of his shareholder's loans to the Target Group until such time the Target Group is in a position to repay such amount without affecting its normal operations. The Vendor is willing to provide additional funding if the Target Group considers necessary.

(f) Following completion of the Acquisition, the Group will be in control of the Target Company which will have clearer principal business while maintaining 30% shareholding interest in the New Company which owns the Property.

(g) Upon completion of the Proposed Restructuring, the Group will be a 30% shareholder of the New Company, its principal business is property investment and the Company will continue to enjoy the potential market value appreciation of the Property, if any. The New Company will own the Property and has a shareholder's loan due to the Vendor of approximately TL10.5 million (or approximately USD3.0 million). The Company is not required to contribute any financing for the New Company to acquire the Property from the Target Company.

Financial implications

(a) In accordance with the Side Letter, the Property will be transferred at its original acquisition costs from the Target Company to the New Company, settled by way of an offset of a shareholder's loan due from the Target Company to the Vendor of an equivalent amount on a dollar-to-dollar basis (as at 31 December 2017, the shareholder's loan due from the Target Company to the Vendor was approximately TL37.8 million (or approximately USD11.0 million)) according to the relevant Turkish accounting standards;

(b) in order to ensure that the Target Company will not suffer the loss of the Unrealized Fair Value Gain that could have been generated if the Property were to be sold at the Current Market Value, the Vendor has agreed to waive the shareholder's loan owed by the Target Company to the Vendor to the extent of the Unrealized Fair Value Gain which will be recognized as a shareholder contribution by the Target Company;

(c) taking into account of the (a) and (b) as described above, the net asset value of the Target Company will remain unchanged before and after the Proposed Restructuring;

(d) assuming no change to the shareholder's loan due from the Target Company to the Vendor since 31 December 2017, the shareholder's loan of the Target Company will be reduced to approximately TL6.4 million (or approximately USD1.9 million) after the Proposed Restructuring;

(e) written professional opinions regarding the legal and tax implication will be obtained confirming that the structure and terms of the Proposed Restructuring are in compliance with the prevailing local rules and regulations in Turkey prior to the completion of the Proposed Restructuring; and

(f) all costs, expenses, fees, taxes, indebtedness, liabilities and/or duties incurred or to be incurred by the Target Company and the Purchaser arising from or relating to the Proposed Restructuring will be borne by the Vendor. The Vendor has agreed that it will indemnify and hold the Target Company and/or the Purchaser harmless as a result of the Proposed Restructuring.

The Board's view on the impact on the Consideration of the Acquisition

As stated in the subsection "Financial Implications – (c)" above, the Board considers that no adjustment on the Consideration for the Acquisition would be necessary as there is no financial impact on the net asset value of the Target Company as a result of the Proposed Restructuring.

In addition, the Board is of the view that the Target Company will enjoy an early disposal of the Property at a profit or the Unrealised Fair Value Gain in terms of the waiver of the shareholder's loan for an equivalent amount and without the need to pay the Relevant Taxes. Following completion of the Proposed Restructuring and the Acquisition, the Company will be in control of the Target Company which will have clear principal business and no longer have the uncertainty of the sale of the Property while maintaining 30% shareholding interest in the New Company which owns the Property and thus allowing the Company to continue to partake in the future capital appreciation potential of the Property, if any.

The Board considers that the Proposed Restructuring will not cause disadvantage to the Company.

Implication of the Listing Rules on the Proposed Restructuring of the Target Company

As the Group will become a 30% shareholder of the New Company, the formation of which with the Vendor (being a substantial shareholder of the Company) may be regarded as a notifiable and connected transaction under the GEM Listing Rules. However, the Company only needs to pay for the setup costs of the New Company which is a nominal share capital contribution while the Vendor will fund the acquisition of the Property by way of a shareholder's loan to the New Company. As such, the setting up of the New Company will be exempted from all the reporting, announcement and independent shareholders' approval requirements as the transaction is regarded as a de minimis transaction in accordance with Rule 20.74 of the GEM Listing Rules. Furthermore, as the Target Company and the New Company are associate companies of the Company, the Proposed Restructuring of the Target Company is not a notifiable transaction of the Company under the GEM Listing Rules. The Proposed Restructuring is an internal reorganisation of the Target Company, which is an associate company of the Group as of the date of this announcement.

FURTHER DELAY IN DESPATCH OF CIRCULAR

As additional time is required to prepare certain information of the Target Company to be contained in the Circular, the Company expects that the date for the despatch of the Circular will be further postponed to a date falling on or before 31 May 2018.

By Order of the Board
Evershine Group Holdings Limited
Hung Tat Chi Alan
Executive Director

Hong Kong, 26 February 2018

As at the date hereof, the executive Directors are Mr. Hung Tat Chi Alan and Mr. Ling Ko Yin Jason; the non-executive Director is Mr. Chan Wai Kit; and the independent non-executive Directors are Ms. Choy So Yuk, BBS, JP, Ms. Lam Yuk Ying Elsa and Mr. Leung Man Chun.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and on the website of the Company at www.evershinegroup.com.hk.