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## **Evershine Group Holdings Limited**

**永耀集團控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 8022)**

### **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2017**

The board (the “**Board**”) of directors (the “**Directors**”) of Evershine Group Holdings Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) makes this announcement further to its annual report for the year ended 31 December 2017 (the “**2017 Annual Report**”).

#### **(A) USE OF PLACING PROCEEDS**

Reference is made to the Company’s 2017 Annual Report and the Company’s announcements dated 19 January 2017, the Placing of new shares under General Mandate in relation to the placing of up to 100,000,000 Placing Shares by the Placing Agent on a best efforts basis to not less than six Places at the Placing Price of HK\$0.42 per Placing Share and another Company’s announcement dated 3 March 2017 (the “**Announcements**”) in relation to the placing of up to 200,000,000 Conversion Shares with the initial Conversion Price of HK\$0.43 per Conversion Share.

The net proceeds from the Placing of New Shares under General Mandate was approximately HK\$41.16 million, received on 19 January 2017. The net proceeds from the Placing of the Conversion Shares was approximately HK\$83.42 million, received on 23 March 2017. As disclosed in both of the announcements, the net proceeds from the Placing will be applied towards appropriate acquisitions, investment opportunities of the Group and the considerations thereof and general working capital.

The total net proceeds arising from the aforementioned two fund raising activities in 2017 amounted to HK\$124.58 million. Reference is made to the Company's announcement dated 24 May 2016 about our acquisition of equity interest in two Hong Kong properties holding companies, we have settled a total of \$44.86 million of the related promissory notes issued in relation to this acquisition in March and April 2017. In February and March of 2017, a total of \$45.26 million has been settled the promissory note issued in relation to our acquisition of the 30% of the equity interest of Boyraci Yapi ve inşaat Taahhüt Gayrimenkul Yatırım Anonim Şirketi in reference to our announcement dated 30 December 2016. In March 2017, there was a total of \$30 million settled the promissory notes issued in relation our acquisition of the equity interest of the 40% of the First Surplus Investments Limited in reference to our announcement dated 20 January 2017. Remaining amount of the placing proceeds amounted to \$4.46 million was used as our Company's general working capital.

The Board would like to confirm the actual use of Placings proceeds was the same as intended usage as previously disclosed by the Company.

## **(B) INTANGIBLE ASSETS**

Reference is further made to the Company's 2017 Annual Report on the Intangible asset held by the Company which is the operating rights of the cemetery. The intangible asset has been assessed with the projections of the future cash flows from January 2018 to December 2050 after considering the land use right of the Company's indirectly 90% owned subsidiary. Recoverable amount was based on the estimated compensation amount of a total of RMB11.75 million, or RMB250,000 per Mu with land area of 47 Mu as per a preliminary confirmation of land deed transfer agreement entered on 17 August 2015. The Excess Earnings method under the Income Approach to value the Intangible Assets has been used in arriving the fair value of the Operating Right which estimates the present value of the profits attributable to the Operating Right after deducting the proportion of profits that are attributable to other contributory assets, which was then discounted at discount rate to arrive the fair value of the Operating Right as of 31 December 2017. Value in use method under Income Approach was used to assess the equity interest of the Target Group in the Circular issued on 7 November 2015.

In reference to the appraisal report provided by an independent professional firm, the weighted average cost of capital (the "WACC") of Zhecheng County Xianganling Company ("the **Operating Company**") was 25% as at 31 December 2017 (the "**Date of Valuation**"). An additional premium of 1.00% was added to the WACC to account for the liquidity risk and lack of marketability of the Operating Right. Hence, 26% was adopted as the discount rate for the Operating Right as at 31 December 2017.

In the process of determining the WACC, several listed companies with business scopes and operations similar to those of our operation was adopted as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in the funeral services industry;
- The companies have sufficient listing and operating histories;
- The companies have major operating segments in China; and
- The financial information of the companies is available to the public.

Below is the summary of the key parameters of the WACC of the Operating Company adopted as at the Date of Valuation:

<b>Key</b>	<b>As at 31 December 2017</b>
a) Risk-free rate	3.90%
b) Market expected return	12.99%
c) Market risk premium	9.09%
d) Beta coefficient	0.93
e) Other risk premium	10.00%
f) Size premium	3.67%
g) Cost of equity	26.00%
h) Cost of debt	4.90%
i) Weight of equity value to enterprise value	94.55%
j) Weight of debt value to enterprise value	5.45%
k) Corporate tax rate	25.00%
<b>WACC</b>	<b>25.00%</b>

*Notes:*

- a) The risk-free rate adopted was the yield rate of China 10-year government bond as at the Date of Valuation as extracted from Bloomberg.
- b) The market expected return adopted was the expected return in China stock market as at the Date of Valuation as extracted from Bloomberg.
- c) The market risk premium adopted was the difference between the market expected return and the risk-free rate adopted.
- d) The beta coefficient adopted was the median adjusted beta of the comparable companies as extracted from Bloomberg.
- e) The other risk premium was adopted to reflect the business risk of the Operating Company.
- f) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study published by Duff & Phelps, LLC.

- g) The cost of equity was determined based on Capital Asset Pricing Model (“CAPM”).
- h) The cost of debt adopted was China above 5-years benchmark lending rate as at the Date of Valuation as extracted from Bloomberg.
- i) The weight of equity value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.
- j) The weight of debt value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.
- k) The corporate tax rate adopted was the corporate tax rate in China.

It was expected average unit price arisen by each cemetery unit was RMB27,563 in 2018 and with reference to the average inflation rate between the period from 1986 till 2018, it was expected there would be a growth rate of 5% per annum on cost and unit price per unit for the subsequent years. The fair value of the Operating Right estimated by the valuer as of the Date of Valuation was HK\$123.5 million as against the amount of HK\$114 million as shown in the Company’s 2017 annual report. Hence, there was no impairment provided for the year.

The above additional information does not affect other information contained in the Annual Report and, save as disclosed in this announcement, the remaining contents of the Annual Report remain unchanged.

On behalf of the Board  
**Evershine Group Holdings Limited**  
**Ling Ko Yin Jason**  
*Executive Director*

Hong Kong, 18 September 2018

*As of 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 of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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