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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)

INSIDE INFORMATION ANNOUNCEMENT UPDATE ON THE COMPANY'S CEMETERY BUSINESS AND SUPPLEMENTAL ANNOUNCEMENT ON THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2018

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Evershine Group Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10(2) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong.)

References is made to the interim report (“**2018 Interim Report**”) of the Group for the six months ended 30 June 2018 published on 10 August 2018. The Board would like to provide additional information in respect of the Group’s cemetery business segment (the “**Cemetery Business Segment**”) which was acquired in 2015.

The Operations of the Cemetery Business Segment

As disclosed under the section of Management Discussion and Analysis in the 2018 Interim Report, the progress of the Cemetery Business Segment has fallen behind the original schedule as described in the circular of the Company dated 7 November 2015. Although the reallocation and demolition of old graves took excessive time than originally expected, this task has been completed. However, the construction of the cemetery and the related facilities has not yet been completed in 2018. The related facilities disclosed under the section of Management Discussion and Analysis refer to the funeral parlor and the cremation machine. These facilities do not belong to Zhecheng County Xianganling Cemetery (柘城縣襄安陵公墓) (the “**Cemetery Operator**”), the operator of our Cemetery Business Segment. The operation of funeral parlor and cremation machine are governed and owned by the civil affairs bureau of Zhecheng Government. The Cemetery Operator received a letter in early August of 2018 from the funeral parlor that the funeral parlor operating party has been communicated with the local government about the refurbishment plan. As the funeral parlor and the cremation machine had gone through many repairs in the past two years and were not available for use most of the time in 2018, the Cemetery Operator considers that this is likely the main reason for the intention of the funeral parlor to refurbish the funeral parlor and the cremation machine to improve the facilities. The Cemetery Operator understands that fund for refurbishment of funeral parlor and cremation machine estimated to be RMB14,000,000 is sourced from the local government bureau’s internal budget. In general, once there is plan to refurbish the funeral parlor and cremation machine, local government bureau would invite contractors to submit tenders. In reference to “Zhe Fa Gai Tou Zi (2018) No.8” (柘發改投資(2018)8號), it was announced in the Zhecheng Government’s website dated 29 August 2018 that the funeral parlor shall start to commence the construction in 2018 and shall complete in 2019. The Cemetery Operator observed that as of early October 2018, the local funeral parlor and cremation machine have been demolished evidencing that the funeral parlor operating entity may have commenced the refurbishment project. The Cemetery Operator is in the progress in obtaining further news from the funeral parlor operating entity and the local civil affairs bureau or department as to the stage of refurbishment plan and the expected completion date. Prior to the completion of the refurbishment plan, the Cemetery Operator does not expect that the business operation of the Cemetery Business Segment will show significant improvement.

Pursuant to “Notice of Management Planning of Funeral Facilities in Henan Province” (河南省殯葬設施數量佈局規劃) released on 1 December 2014, there was no plan for establishing new cemetery nor new funeral parlor at Zhecheng County. There are 145 approved cemeteries in Henan Province and our Cemetery, is one of the approved ones. Therefore, the Cemetery Operator expects that the Cemetery and its current operation, the related funeral parlor and cremation machine should remain. The Cemetery Operator also expects that the aforesaid demolition of the funeral parlor and cremation machine is part of the refurbishment plan of the funeral parlor operating entity as described in its letter in August 2018 and not a removal of the funeral parlor and cremation machine.

The Cemetery

The location of the Company's cemetery, Zhecheng County Xianganling Cemetery (the "Cemetery"), is in the remote area outside Zhecheng County and it is not well known locally. Zhecheng County is a small county with a population of about 695,000 in 2017. Rate of cremation in Henan Province is less than 20% of the total deceased population in 2017 and has decreased by 53% when compared to the figure found in 2012.

It is under the Funeral Management Regulations (殯葬管理條例) released in 2005 that the deceased should be cremated for burial if there is cremation facility closed by. Although the local government has been educating the local community to have cremation service but law reinforcement may not be as effective. There is still strong cultural influence that burying without cremation is preferred and spending large amount of money to have lavish cemetery units for the deceased may be beyond the reach of most of the locals. At present, the unstable availability of the funeral parlor and cremation machine during the past two years and its recent demolition, and the lack of one-stop service would make it even more difficult to attract local community to use the Cemetery in the near future. The Company is considering to improve its sale of cemetery units by other measures such as placing advertisement and distribution of leaflets at hospitals or elderly homes to let the local community becoming more aware of the Cemetery.

With the more stringent measures carried out by the government such as the release of Notice of the "Special Remediation Action Plan for Outstanding Problems in the Funeral Area of Henan Province" (河南省殯葬領域突出問題專項整治行動方案的通知) dated 7 August 2018. This Notice asked for local government to perform self-review and provide reports for any incompliance to the Civil Affairs Bureau of the Henan Province. If there is any incompliance identified, working group would be formed to examine the conditions, identify issues and facilitate the execution of any solution. In respect of the operation of the cemeteries, land bureau of provinces would provide more resources in dealing with the expropriation of land process. There would be more support from the government to improve local funeral parlor and cremation facilities. With the possible assistance from the local government, the Company shall take more active approach to follow up the transfer of land use right and the demand of cemetery units may reach our expected level in one to two-year time as the Cemetery is the only approved operating entity in Zhecheng County. The Company will allocate more resources to the Cemetery Business Segment should the leasing/sale of cemetery units increase. At the same time, the Company shall strengthen its communication with the funeral parlor operating entity and local civil affairs bureau or department to facilitate the reinstalling of the funeral parlor and cremation machine.

In view of the latest unfavourable business condition which may not turn around in very short period of time, the Group is reassessing its position in respect of the Cemetery Business Segment by taking the following measures:

- (a) the Company would maintain the operation without large amount of capital expenditure until the business environment is improved, for example, the completion of the reinstalling of the funeral parlor and cremation machines; and

- (b) the Company has appointed an independent professional valuer to carry out a valuation of the intangible asset in the period of 30 September 2018 which is the operating permit of the Cemetery with reference to the current operating level as it has been below the Group's original schedule as described in the circular of the Company dated 7 November 2015. It has not generated cash flow as originally expected, although it may be temporary, partly affected by the latest development of the demolition of the funeral parlor and cremation machine. Based on the valuation from the independent professional valuer, **there will be an impairment on the intangible asset in respect of the Cemetery to be recorded by the Group. The impairment on the intangible asset in respect of the Cemetery shall be recorded and reflected in the results of the Group for the nine months ended 30 September 2018.** The impairment assessment on the intangible asset is subject to auditor's review in the forthcoming 2018 annual audit. Further details on the provision of this impairment will be disclosed in the profit warning announcement.

The land use rights of the land on which the Cemetery is situated

The Company has consulted an independent PRC legal professional about the detail procedures and time estimation in obtaining of the land use rights of the land on which the Cemetery is situated (the "**Land**"). As advised, there are two processes, namely the expropriation of land and the transfer of land use right. The expropriation of land process should take place before the transfer of land use right process.

Expropriation of land process

The Cemetery Operator would need to submit its land expropriation application to the local land bureaus which will involve the review and approval by the Zhecheng County Land Bureau (柘城縣國土局), the Shangqiu City Land Bureau (商丘市國土資源局), The People's Government of Shanqiu (商丘市人民政府), The People's Government of Henan Province (河南省人民政府) and the Henan Provincial Department of Land (河南省國土資源廳). The application should be first submitted to the Zhecheng County Land Bureau. The purpose of land use included in the land expropriation application should be in line with the department of Zhecheng County Urban and Rural Planning (柘城縣城鄉規劃中心) which shall issue the opinion letter with reference to the land usage plan, nature of land and its internal planning policy to support such land expropriation to local land bureaus to review and approve the application. Land survey and assessment are required to be performed and related reports should be submitted with the land expropriation application. Having gone through the review process and the approval by various government departments mentioned above, Henan Provincial Department of Land would then issue public notice and notifies the local land bureaus if it approves the land expropriation application. The Cemetery Operator shall start the land survey and assessment in the fourth quarter of 2018 and hence submits the land expropriation application.

Transfer of land use right process

Once the land expropriation application is approved, the Cemetery Operator could then obtain the land use right of state-owned cemetery land through bidding, auction and listing process carried out by the Zhecheng County Land Bureau. The Zhecheng County Land Bureau would prepare the transfer plan and its report to local government to review, assess the land compensation amount and call for bidding. There is no reference available to estimate how much time would be required to complete the transfer plan, review and assess the land compensation amount. The notice to call for bidding would be issued for a period of 28 days. Then the bidding period usually lasts for 30 days. The Cemetery Operator would take part in the bidding and once it obtains the bidding, it would enter the land use right transfer with the local land bureau and make payment of the land transfer fee and the government levies to the local land bureau within 60 days.

The Board has been monitoring the Cemetery Business Segment since the acquisition of the Cemetery and weighing the costs, benefits and relevant risk, before it would take further steps to initiate the transfer of land use right. The Company has been in discussion with the Cemetery Operator on its concern on how to ensure that the Cemetery Operator would obtain the bid at the lowest possible risk and maintain its operating right of the Cemetery. Furthermore, in view of the less than favorable business environment as described above following the acquisition, the Company would like to take its pace to gather more information before making decision on the transfer of the land use right of the Land as the Company would have to pay the land transfer fee and the government levies.

As provided in the Company's circular of 7 November 2015 regarding the acquisition of the cemetery, the Cemetery Operator and the land use right owner have entered into an agreement for the acquisition of the land use right with the land compensation of RMB250,000 per mu by 31 December 2016. The contract has expired on 31 December 2016 and the land compensation per mu should be re-assessed with reference to the assessment provided by the local land bureau. The Company shall work with the land use right owner to start the land expropriation application as described above.

It shall start the first stage of land expropriation application in the fourth quarter of this year and record the full scales of sales of cemetery units assuming the hostile business condition would turn around, funeral facilities such as the funeral parlor and cremation machine would be reinstalled and land use right would be completed by 2020. Since the completion of the acquisition of the operating rights of the cemetery, the Company has sold thirteen units of cemetery units and has received deposits of another nine cemetery units.

Save as disclosed above, all other information as disclosed in 2018 Interim Report remains unchanged.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares and securities of the Company.

By Order of the Board
Evershine Group Holdings Limited
Ling Ko Yin Jason
Executive Director

Hong Kong, 31 October 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 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 <http://www.evershinegroup.com.hk>