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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 2018

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 2018 (the “**2018 Annual Report**”).

Reference is made to the Company’s 2018 Annual Report on the intangible asset held by the Company which is the operating right of the cemetery (the “**Operating Right**”). The intangible asset has been assessed with the projections of the future cash flows from January 2019 to December 2050 after considering the land use right of the Company’s indirectly 90% owned subsidiary. As of 31 December 2018, the estimated compensation amount would be about RMB20 million or RMB426,000 per Mu with land area of 47 Mu and such amount was expected to be settled between 2019 to 2020. Income Approach 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. The said valuation approach and methodology has not been changed from last year.

In reference to the appraisal report provided by an independent professional firm, discount rate of 23% was used as at 31 December 2018 and the discount rate was the main input in the Operating Right valuation.

The weighted average cost of capital, (the “WACC”) of the Operating Company was 22% as at 31 December 2018. Below is the summary of the key parameters of the WACC of the Operating Company adopted as at the date of valuation:

Key parameters	As at 31 December 2018
a) Risk-free rate	3.31%
b) Market expected return	14.11%
c) Market risk premium	10.80%
d) Beta coefficient	0.63
e) Other risk premium	15.00%
f) Small size risk premium	3.48%
g) Cost of equity	28.59%
h) Cost of debt	4.90%
i) Weight of equity value to enterprise value	72.24%
j) Weight of debt value to enterprise value	27.76%
k) Corporate tax rate	25.00%
WACC	22.00%
Additional premium for the liquidity risk and lack of marketability of the Operating Right	1.0%
Discount Rate	23.00%

Notes:

- a) The risk-free rate adopted was the yield-to-maturity of China government bond with the 10 years maturity, quoted from Bloomberg as at valuation date.
- b) The market expected return adopted was the expected return in China stock market as at date of valuation as extracted from Bloomberg CRP data.
- 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 industry average beta of the comparable companies as extracted from Bloomberg.
- e) The other risk premium adopted was the incremental or company risk factor in addition to the market risk premium and small size risk premium.
- f) The small size risk premium adopted was to reflect the extra risk of an investment in a small company as sourced from the 2018 CRSP Deciles Size Study.
- g) The cost of equity was determined based on Capital Asset Pricing Model.

- 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 was based on the industry's debt-to-equity ratio.
- j) The weight of debt value to enterprise value was based on the industry's debt-to-equity ratio.
- k) The corporate tax rate adopted was the corporate tax rate in China.

The independent professional firm concluded that the fair value of the Operating Right as at 31 December 2018 was HK\$38,499,000 (2017 annual report: HK\$114,478,000) as shown in the Company's 2018 Annual Report. An impairment loss of approximately HK\$73,171,000 on the Operating Right was recognized in the profit of loss in 2018 comparing with nil in 2017. Reference should also be made to the Company's Inside Information Announcement Update on the Company's Cemetery Business and Supplemental Announcement on the Interim Report for six months ended 30 June 2018 with information on the Company's assessment of its value of the Operating Right in such unfavorable condition.

The above additional information does not affect other information contained in the 2018 Annual Report and, save as disclosed in this announcement, the remaining contents of the 2018 Annual Report remain unchanged.

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

Hong Kong, 30 September 2019

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>