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Ever Reach Group (Holdings) Company Limited

恒達集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3616)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Ever Reach Group (Holdings) Company Limited (the “**Company**”) announces the consolidated results of the Company for the year ended 31 December 2023 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

		2023	2022
	Notes	RMB'000	RMB'000
Revenue	4	3,565,598	2,861,771
Cost of sales		<u>(3,131,395)</u>	<u>(2,440,395)</u>
Gross profit		434,203	421,376
Fair value losses on investment properties		(2,920)	(2,160)
Selling and marketing expenses		(168,533)	(124,270)
Administrative expenses		(131,097)	(135,658)
Reversal of allowance for impairment of other receivables		3,265	411
Other income	6	4,071	2,841
Other losses, net	7	<u>(5,261)</u>	<u>(8,131)</u>
Operating profit		<u>133,728</u>	<u>154,409</u>
Finance income	8	1,073	1,146
Finance costs	8	<u>(930)</u>	<u>(1,137)</u>
Finance income, net		<u>143</u>	<u>9</u>
Profit before income tax	9	133,871	154,418
Income tax expenses	10	<u>(97,054)</u>	<u>(76,649)</u>
Profit for the year		<u><u>36,817</u></u>	<u><u>77,769</u></u>
Profit/(loss) for the year attributable to:			
Owners of the Company		40,944	84,812
Non-controlling interests		<u>(4,127)</u>	<u>(7,043)</u>
		<u><u>36,817</u></u>	<u><u>77,769</u></u>
Earnings per share (expressed in RMB cents)			
— Basic and diluted	11	<u><u>3.41</u></u>	<u><u>7.07</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit and total comprehensive income for the year	<u>36,817</u>	<u>77,769</u>
Total comprehensive income/(expense) attributable to:		
Owners of the Company	40,944	84,812
Non-controlling interests	<u>(4,127)</u>	<u>(7,043)</u>
	<u>36,817</u>	<u>77,769</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		2023	2022
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		35,454	37,017
Investment properties		119,600	122,520
Right-of-use assets		13,184	17,047
Intangible assets		13,098	13,825
Interests in associates		53,323	—
Deferred income tax assets		146,920	175,793
		<hr/>	<hr/>
Total non-current assets		381,579	366,202
		<hr/>	<hr/>
Current assets			
Prepayments for leasehold land		40,810	232,990
Properties held or under development for sale	13	7,521,685	8,485,272
Other receivables and prepayments	14	582,461	423,473
Prepaid income taxes		114,989	113,271
Contract costs		3,282	6,451
Restricted bank deposits		165,591	180,778
Cash and cash equivalents		274,808	221,059
		<hr/>	<hr/>
Total current assets		8,703,626	9,663,294
		<hr/>	<hr/>
Total assets		9,085,205	10,029,496
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CAPITAL AND RESERVES			
Share capital		10,645	10,645
Share premium		299,188	299,188
Retained profits		1,296,860	1,272,885
Other reserves		205,684	188,715
Equity attributable to owners of the Company		1,812,377	1,771,433
Non-controlling interests		45,664	102,034
Total equity		1,858,041	1,873,467
LIABILITIES			
Non-current liabilities			
Bank borrowings		232,500	130,500
Other long-term borrowings		37,537	147,005
Lease liabilities		9,289	13,441
Deferred income tax liabilities		16,746	15,900
Total non-current liabilities		296,072	306,846
Current liabilities			
Trade and other payables	15	2,007,485	2,272,588
Bank borrowings		182,900	193,000
Other borrowings		—	3,500
Current portion of other long-term borrowings		495,692	198,840
Contract liabilities	16	3,956,814	4,854,156
Lease liabilities		6,275	7,209
Current income tax liabilities		281,926	319,890
Total current liabilities		6,931,092	7,849,183
Total liabilities		7,227,164	8,156,029
Total equity and liabilities		9,085,205	10,029,496
Net current assets		1,772,534	1,814,111
Total assets less current liabilities		2,154,113	2,180,313

NOTES

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 22 July 2016 as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 November 2018. In the opinion of the Directors, the immediate holding company and ultimate controlling party of the Company are Ever Enhancement Enterprise Company Limited, a company incorporated in the British Virgin Islands, and Mr. Li Xiaobing, the executive Director of the Company, respectively. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the Company’s annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in property development business in the People’s Republic of China (the “**PRC**”).

The consolidated financial statements of the Group are presented in thousands of Renminbi (RMB’000), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRS Accounting Standards comprise all individual Hong Kong Financial Reporting Standards (“**HKFRSs**”); Hong Kong Accounting Standards (“**HKASs**”); and Interpretations. The consolidated financial statements of the Group also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements of the Group have been prepared under the historical cost convention, unless mentioned otherwise in the material accounting policies in the Company’s annual report (e.g. investment properties). The preparation of the consolidated financial statements of the Group in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Going concern consideration

As at 31 December 2023, the Group had total current assets of approximately RMB8,703,626,000, including cash and cash equivalents of approximately RMB274,808,000. In contrast, the Group faced total current liabilities of approximately RMB6,931,092,000, including current portion of bank borrowings and other long-term borrowings with an aggregate carrying amount of approximately RMB678,592,000 due within twelve months from the end of the reporting period, as well as capital commitments of approximately RMB1,334,357,000 for properties under development for sale and land use rights (note 17). In addition, the Group was also exposed to potential cash outflows arising from the financial guarantees issued to third parties and a related party of approximately RMB7,187,911,000 as at 31 December 2023. In light of the relative low cash balances, significant short-term obligations within next twelve months and the potential cash outflows arising from the financial guarantees issued, together with uncertainties surrounding the Group's ability to generate sufficient operating cash flows, these events or conditions indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

In view of the above, the Directors have reviewed the Group's cash flow projections covering a period at least twelve months from the end of the reporting period, which have taken into account the available financial resources, the Group's cash flows from operations, available banking facilities and the following measures:

- (i) The Group will continue to actively adjust sales and pre-sale activities to better respond to market needs, make efforts to achieve the latest budgeted sales and pre-sales volumes and amounts, and timely monitor the collection of sales and pre-sales proceeds;
- (ii) The Group will maintain continuous communication and agree with major contractors and suppliers to arrange payments to these vendors and complete the construction progress as scheduled, and settle the land appreciation tax ("LAT") upon tax clearance;
- (iii) The Group will continue to actively communicate with relevant banks and other financial institutions so that the Group can timely secure necessary project development loans or negotiate a better repayment schedule for its loans for qualified project development. In addition, based on past experience, the banks and other financial institutions will normally provide funding as needed according to the property development progress without significant uncertainties to the Group; and
- (iv) The Group will continuously cooperate with the related parties and non-controlling shareholders of the project companies and they agreed in writing to provide funding support and not to demand for repayment for the balances, included in trade and other payables (note 15), owed to them of approximately RMB15,304,000 and RMB83,533,000, respectively, as at 31 December 2023, until the Group has financial ability to do so, in order to ensuring the development and sales of all existing projects as budgeted without material interruptions.

Based on the above, in the opinion of the Directors, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due at least the coming twelve months from the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis. The consolidated financial statements of the Group do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

3 ADOPTION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

(a) Application of new and amendments to HKFRS Accounting Standards

The Group has applied the following new and amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023, for the preparation of the consolidated financial statements of the Group:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The application of the new and amendments to HKFRS Accounting Standards in the current year had no material impact on the Group's consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements of the Group.

(b) New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not applied the following new and amendments to HKFRS Accounting Standards and the Interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2023:

	Effective for the accounting periods beginning on or after
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7 — Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 16 — Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 21 and HKFRS 1 — Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7 — Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7 — Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18 — Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HK Interpretation 5 (Revised) — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The Directors anticipate that, except as described below, the application of other amendments to HKFRS Accounting Standards and the Interpretation will not have material impact on the consolidated financial statements of the Group in the foreseeable future.

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current, related amendments to Hong Kong Interpretation 5 (Revised) and Amendments to HKAS 1 — Non-current Liabilities with Covenants (collectively referred to as the “HKAS 1 Amendments”)

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current issued in 2020 (the “**2020 Amendments**”) clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least 12 months after the end of the reporting period. The amendments specify that an entity’s right to defer settlement must exist at the end of the reporting period. Classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement. The amendments also clarify the classification of liabilities that will or may be settled by issuing an entity’s own equity instruments.

Amendments to HKAS 1 — Non-current Liabilities with Covenants issued in 2022 (the “**2022 Amendments**”) further clarify how an entity determines the current or non-current classification of a liability when its right to defer the settlement is subject to compliance with covenants.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

Based on the Group’s outstanding liabilities as at 31 December 2023, the Directors considered that the application of the HKAS 1 Amendments, upon the effective date of the HKAS 1 Amendments, will not result in any change in the classification of the Group’s liabilities.

HKFRS 18 — Presentation and Disclosure in Financial Statements

HKFRS 18 will replace HKAS 1 — Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of the consolidated financial statements, with a focus on information about financial performance present in the consolidated statement of profit or loss, which will affect how the Group present and disclose financial performance in the consolidated financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss; (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures); and (iii) enhanced requirements for aggregation and disaggregation of information.

The Directors are currently assessing the impact of applying HKFRS 18 on the presentation and disclosures of the consolidated financial statements.

4 REVENUE

Revenue represents revenue arising on sales of properties, rental income and service income for the year ended 31 December 2023. An analysis of the Group's revenue for the year is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of properties	3,554,210	2,850,035
Service income	<u>2,668</u>	<u>4,904</u>
	3,556,878	2,854,939
Revenue from other source		
Rental income	<u>8,720</u>	<u>6,832</u>
	<u>3,565,598</u>	<u>2,861,771</u>

Disaggregation of revenue from contracts with customers by timing of recognition:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Timing of revenue recognition		
At a point in time	3,554,210	2,850,035
Over time	<u>2,668</u>	<u>4,904</u>
	<u>3,556,878</u>	<u>2,854,939</u>

All revenue are generated from the PRC during the years ended 31 December 2023 and 2022.

5 SEGMENT INFORMATION

The executive Directors have been identified as the chief operating decision maker (the “CODM”). Management of the Group has determined the operating segments based on the internal reports reviewed by the CODM, which are used to allocate resources and assess performance.

The Group is principally engaged in property development in the PRC. The CODM reviews the operating results of the business as one reporting segment to assess performance and make decision about resources to be allocated. Revenue and profit after income tax are the measures reported to the CODM for the purpose of resources allocation and performance assessment. Therefore, no segment information is presented.

All of the Group's revenue are derived in the PRC for the years ended 31 December 2023 and 2022, and all of the non-current assets of the Group were located in the PRC as at 31 December 2023 and 2022. There was no revenue derived from a single external customer that accounts for 10% or more of the Group's revenue for the years ended 31 December 2023 and 2022.

6 OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Management fee income	2,830	974
Others	1,241	1,867
	<u>4,071</u>	<u>2,841</u>

7 OTHER LOSSES, NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Donations	2,218	5,643
Penalties, fines and compensations	356	3,756
Exchange losses, net	18	1,628
Loss/(gain) on disposal of subsidiaries, net	4,053	(203)
Loss on disposal of property, plant and equipment	37	727
Loss on disposal of financial assets at fair value through profit or loss	—	155
Gain on disposal of right-of-use assets	—	(8)
Others	(1,421)	(3,567)
	<u>5,261</u>	<u>8,131</u>

8 FINANCE INCOME/(COSTS)

	2023 RMB'000	2022 RMB'000
Finance income		
— Interest income on bank deposits	<u>1,073</u>	<u>1,146</u>
Finance costs		
— Interest on bank and other borrowings and other long-term borrowings	(69,668)	(63,316)
— Interest on pre-sale deposits received	—	(286)
— Interest on lease liabilities	<u>(930)</u>	<u>(1,137)</u>
	(70,598)	(64,739)
Less: Amount capitalised	<u>69,668</u>	<u>63,602</u>
Finance costs	<u>(930)</u>	<u>(1,137)</u>
Finance income, net	<u><u>143</u></u>	<u><u>9</u></u>

9 PROFIT BEFORE INCOME TAX

Profit before income tax for the year has been arrived at after charging:

	2023 RMB'000	2022 RMB'000
Staff costs (including Directors' emoluments)	110,240	119,487
Auditor's remuneration — audit services	2,987	2,667
Depreciation charge on property, plant and equipment, included in administrative expenses	8,201	8,534
Depreciation charge on right-of-use assets, included in administrative expenses	3,832	4,440
Amortisation charge on intangible assets, included in administrative expense	727	728
Expenses relating to short-term leases, included in administrative expenses	115	206
Expenses relating to leases of low-value assets, included in administrative expenses	24	24
Cost of properties recognised as expenses	3,019,928	2,382,276
Provision for properties held or under development for sales, included in cost of sales	<u><u>95,062</u></u>	<u><u>30,652</u></u>

10 INCOME TAX EXPENSES

	2023 RMB'000	2022 RMB'000
Current income tax		
— PRC Corporate Income Tax	28,356	84,308
— PRC LAT	38,979	12,863
	<u>67,335</u>	<u>97,171</u>
Deferred income tax	29,719	(20,522)
	<u>97,054</u>	<u>76,649</u>

11 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the Group's profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2023 and presented as follows:

	2023	2022
The Group's profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share (RMB'000)	<u>40,944</u>	<u>84,812</u>
Weighted average number of ordinary shares in issue for the purpose of calculating basic and diluted earnings per share ('000)	<u>1,200,000</u>	<u>1,200,000</u>
Basic and diluted earnings per share (expressed in RMB cents)	<u>3.41</u>	<u>7.07</u>

Diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares in issue during the years ended 31 December 2023 and 2022.

12 DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividends paid in cash during the reporting period (<i>note</i>)	<u>—</u>	<u>59,998</u>

Note: On 30 March 2022, the Directors recommended the payment of a final dividend of 6.0 HK cents (equivalent to approximately 5.0 RMB cents) per each fully paid ordinary share in respect of the year ended 31 December 2021. Such proposed dividend of approximately RMB59,998,000 is not recognised as a liability as at 31 December 2021 and has been paid during the year ended 31 December 2022.

No dividend was proposed during the year ended 31 December 2023 (2022: nil), nor has any dividend been proposed since the end of the reporting period (2022: nil).

13 PROPERTIES HELD OR UNDER DEVELOPMENT FOR SALE

Balances of properties held or under development for sale are as follows:

	2023 RMB'000	2022 RMB'000
Properties under development for sale	5,295,466	6,525,842
Properties held for sale	2,439,482	2,077,631
	<u>7,734,948</u>	<u>8,603,473</u>
Less: Provision for properties held or under development for sale	(213,263)	(118,201)
	<u>7,521,685</u>	<u>8,485,272</u>

14 OTHER RECEIVABLES AND PREPAYMENTS

	2023 RMB'000	2022 RMB'000
Prepayments for construction cost	126,245	142,557
Prepaid tax and surcharges	13,609	23,296
Value-added-tax recoverable	6,557	12,873
	<u>146,411</u>	<u>178,726</u>
Tender and other deposits	111,188	157,027
Receivable from project service	53,140	54,140
Amount due from a related party	40,503	40,060
Receivables from government related to the cost of demolition and resettlement activities	102,864	41,712
Temporary funding receivables from third parties	55,730	5,007
Consideration receivable from disposal of a subsidiary	2,189	—
Receivable from a contractor and supplier	114,610	—
Others	10,105	4,345
	<u>490,329</u>	<u>302,291</u>
Other receivables, gross	490,329	302,291
Less: Allowance for impairment of other receivables	(54,279)	(57,544)
	<u>436,050</u>	<u>244,747</u>
Other receivables, net	436,050	244,747
Total	<u>582,461</u>	<u>423,473</u>

15 TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	1,490,485	1,627,408
Deposits received from customers	81,591	50,971
Value-added-tax and other tax payable	205,803	261,825
Amounts due to non-controlling shareholders	83,533	151,360
Temporary funding payables	18,939	62,375
Interest payables	57,172	48,806
Salaries payables	21,325	26,528
Amounts due to related parties	15,304	14,296
Other payable to a related party	958	1,040
Others	32,375	27,979
	<u>2,007,485</u>	<u>2,272,588</u>

At 31 December 2023, the ageing analysis of trade payables, based on invoice date, are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Less than 1 year	1,037,502	1,192,950
Between 1 and 2 years	222,064	272,770
Between 2 and 3 years	131,792	105,935
Over 3 years	99,127	55,753
	<u>1,490,485</u>	<u>1,627,408</u>

16 CONTRACT LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Contract liabilities	<u>3,956,814</u>	<u>4,854,156</u>

The contract liabilities mainly represent the receipt in advance from customers in respect of the sales of properties. The Group normally receives certain percentage of the contract sum as deposits from customers when they sign the sale and purchase agreement. Such contract liabilities will be utilised as revenue when control of the completed property is transferred to the customer.

The contract liabilities are classified under current liabilities as it is expected to be utilised in the normal operating cycle of the business.

17 COMMITMENTS

Capital expenditure committed at 31 December 2023 but not yet incurred is as follows:

	2023 RMB'000	2022 RMB'000
Properties under development for sale	1,334,357	1,312,874
Land use rights	40,810	232,960
	<u>1,375,167</u>	<u>1,545,834</u>

18 EVENTS AFTER THE REPORTING PERIOD

Disposal of an associate

Subsequent to the end of the reporting period, the Group entered into a sale and purchase agreement with the controlling shareholder (the “**Purchaser**”) of Xuchang Hengzhu Real Estate Development Co., Ltd.* (許昌恒築房地產開發有限公司) (“**Xuchang Hengzhu**”), an associate of the Group, on 17 April 2024, in which the Group disposed of remaining 41% equity interest in Xuchang Hengzhu to the Purchaser at nil consideration. Immediately after the completion of the above-mentioned disposal on 17 April 2024, Xuchang Hengzhu ceased to be an associate of the Group. No gain or loss on disposal of associate has been arisen from such disposal.

Early repayment of certain other long-term borrowings

Subsequent to the end of the reporting period, the Group has early repaid the other long-term borrowings from the micro-loan company with outstanding loan balance of RMB90,000,000 in April 2024 in order to reduce the interest incurred from such other long-term borrowings.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the results of the Group for the year ended 31 December 2023.

ANNUAL REVIEW

As seen from data published by the National Bureau of Statistics, property development and sales in 2023 have yet to show signs of improvement, as confidence of real estate enterprises in property investment remained relatively low. Despite an increasingly relaxed financing environment during the year, real estate enterprises were still operating on a tight cash flow, resulting in a lack of motivation to commence new projects. However, with the active implementation of relevant financial policies by different local governments, which especially encouraged private real estate enterprises to obtain financing, better conditions have been created for real estate enterprises to access finance and improve their capital positions. Overall, the real estate market is developing in a stable and positive manner.

In 2023, the Group made sales promotion its top priority. We thoroughly analysed marketing strategies and marketing methods in new business environments, increased our marketing incentives, enhanced our performance reviews, closely monitored every step of the marketing process, and highly encouraged marketing team members to show proactiveness. Therefore, we achieved relatively good sales performance as compared to other local real estate enterprises. Meanwhile, the Group also continued to expand our market reach, optimised our corporate governance structure, standardised all business procedures, enhanced our engineering management and control system comprehensively in the areas of construction design, progress, quality, and safety, which allowed us to always guarantee our product quality, increased brand influence and gained recognition from various sectors of the society, and continued to enhance our brand image by providing exquisite work and quality services. In 2023, the Group continued to actively participate in charity work to fulfil its corporate social responsibilities. We donated a total amount of approximately RMB2.2 million to charity during the year.

In 2023, the Group's efforts were recognised as it was named one of the “Top 10 Local Real Estate Enterprises in Henan Province” and a “Real Estate Enterprise with Excellent Delivering Power in Henan Province in 2023” at the 2023 China Real Estate Big Data Annual Meeting and 2024 China Real Estate Market Trend Report Seminar, which was hosted by the Beijing China Index Information and Technology Research Institute, and organised by the China Real Estate Index System and the China Property Service Index System. Meanwhile, the Yuzhou Hengda Binhefu Project was named a “Good Exemplary Urban Project 2023–2024”; and was recognised as one of the “2023 Top 10 Real Estate Enterprises by Brand Value in Midwestern China”, a “2023 Chinese Real Estate Enterprise with Professional Leading Brand Value in Comprehensive Development — Quality Living Service Provider”, at the 2023 Press Conference on Research Results of Real Estate Brand Value in China & the 20th China Real Estate Brand Development Summit, which was hosted by the China Enterprises Evaluation Association, the Institute of Real Estate Studies of Tsinghua University, the Beijing China Index Information and Technology Research Institute, and organised by the China Real Estate Top 10 Research Team under the Beijing China Index Information and Technology Research Institute. The Xuchang Hengda Dongyue Project was recognised as one of the “2023 Top 10 China Real Estate Projects by Brand Value — Boutique Project”.

Over the past 31 years, the Group has always been determined to forge ahead with the spirit of an innovation pioneer, to create beautiful chapters for urban construction with sincerity, kindness, and responsibility. At the same time, we are committed to gaining a foothold in the market with our products and services, as well as implementing a development strategy where we focus on in-depth market development, pursue excellence, and ensure effective operation, and strive to achieve a win-win situation for our customers, society, employees, and investors.

ANNUAL RESULTS

For the year ended 31 December 2023, the Group's total revenue was approximately RMB3,565.6 million, representing an increase of approximately 24.6% from approximately RMB2,861.8 million for the year ended 31 December 2022. For the year ended 31 December 2023, the net profit was approximately RMB36.8 million, representing a decrease of approximately 52.7% from approximately RMB77.8 million for the year ended 31 December 2022.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023.

OUTLOOK

In 2023, in the face of a complex and volatile international environment and the difficult and heavy task of domestic reform, development, and stabilisation, the Chinese economy gradually rebounded. Supply and demand showed slow improvements, overall employment and prices remained stable, people's livelihood is effectively protected, and the society is making progress towards high quality development. Annual GDP increased by approximately 5.2% as compared to 2022. In 2023, the total amount used for property development and investment by the real estate industry and other metrics all declined considerably, as confidence of real estate companies in property investment remained relatively low. Despite an increasingly relaxed financing environment during the year, the new build market was sluggish because real estate enterprises operated on a tight cash flow, resulting in a lack of motivation to commence new projects.

Looking ahead to 2024, economic development will continue to face certain difficulties and challenges amidst a complex, volatile and increasingly uncertain environment, and it will take time for the overall economy and society to recover. Nevertheless, with the complete, accurate, comprehensive, and continuous implementation of the development concept of innovative, coordinated, green, open, and shared growth put forward at the Central Economic Work Conference, and the increasing efforts in adjusting and controlling the macro-economy, as well as arrangements to increase domestic demand and deepen the structural reform on the supply-side, the Chinese economy will be consolidated and uplifted, resulting in an effective economic upturn and a reasonable growth in turnover.

In the future, the Group will actively promote its market strategy of developing the market precisely and intensively, as well as increase its development quality. In 2024, based on its existing strategic planning, the Group will focus on addressing various problems encountered during our operations in 2023, conduct scientific analyses, make careful conclusions, and work hard on the following matters: (1) ensure the sustainable operation of the Group's business by carefully deploying the Group's funds, formulating project development plans, and improving our capital turnover and utilisation rates; (2) on the basis of our existing product lines, continue to invest in R&D, safeguard product quality, quality control and enhancement, so as to improve product competitiveness; (3) adjust marketing strategies in a timely manner in accordance with changes in the external market, adopt flexible and diversified marketing and incentive measures, motivate our sales team, and strive to improve our performance through the provision of incentives; (4) improve our risk management and control system, define internal control objectives, carefully monitor every step of our business processes, strengthen the management of important and high-risk procedures, control and prevent risks, to ensure the stable and healthy development of the Group.

In 2024, the Group will remain customer-focused and strive to improve the quality and satisfaction of project deliveries. As the Group grows together with China's cities, it will improve its service standards, maintain a beginner's mind, reflect on its every move, maintain an utmost respect for cities, in order to maintain a strong brand reputation.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my gratitude to our shareholders, business partners, customers and suppliers for their support and trust on behalf of the Board. I would also like to thank the management and all staff for their contributions and efforts over the past years.

Li Xiaobing

Chairman and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

On 17 January 2024, the National Bureau of Statistics issued a report on the “General Situation of the PRC Real Estate Market in 2023”. According to the latest statistics therein, investment in real estate development in the PRC in 2023 amounted to approximately RMB11,091,300 million, representing a decrease of approximately 9.6% as compared to the previous year. Of which, investment in residential properties amounted to approximately RMB8,382,000 million, representing a decrease of approximately 9.3% as compared to the previous year. Investment in real estate development in the eastern region of China amounted to approximately RMB6,670,500 million, representing a decrease of approximately 5.3% as compared to the previous year. The investment in the central region amounted to approximately RMB2,142,300 million, representing a decrease of approximately 13.2% as compared to the previous year. The investment in the western region amounted to approximately RMB2,782,900 million, representing a decrease of approximately 7.5% as compared to the previous year. The investment in the northeastern region was approximately RMB398,600 million, representing a decrease of approximately 3.0%. Analysis of the above data shows that investment growth slowed down, especially in the central region, which recorded a 13.2% drop. According to the above data, it can be seen that in 2023, the investment in real estate development in the PRC remained sluggish, with a high development and investment pressure. Real estate companies were not proactive enough in acquiring land.

According to the National Bureau of Statistics, the total construction area of new property projects of real estate enterprises in 2023 was approximately 953.76 million sq.m., representing a decrease of approximately 20.4% as compared to 2022. Of which, the total construction area of new residential projects was 692.86 million sq.m., representing a decrease of approximately 20.9% as compared to 2022. In addition, the total sales area of commercial properties of real estate enterprises was 1,117.35 million sq.m., representing a decrease of approximately 8.5% as compared to the previous year. Of which, the total sales area of residential properties decreased by approximately 8.2% as compared to the previous year, while that of office buildings decreased by approximately 9.0%, whereas that of commercial and business properties decreased by approximately 12.0%. As shown from the data in relation to the total construction area of new property projects and total sales area of commercial properties of real estate enterprises across the PRC, the entire real estate industry in the country was facing a lot of pressure. It will still take some time for the property market and buyers' confidence to recover.

As shown from the various data regarding the property market, Henan property market continued to see a decline in all areas in 2023. The real estate industry is still undergoing in-depth adjustments, and the market pressure has not yet been effectively relieved. The overall performance of the Henan property market improved and subsequently fell

throughout the year. Despite the continuous optimisation of policies in different regions, such policies have a relatively limited effect on stimulating the market, as seen from the year-on-year decline of total commercial property sales. However, with the active implementation of relevant financial policies in various regions, it is obvious that the real estate market is trending towards a stable and positive growth.

BUSINESS OVERVIEW

With the backlog of real estate sales cleared up in the PRC market in early 2023, consumers subsequently lacked confidence to buy homes. Nevertheless, the real estate industry will remain a pillar of the national economy in the long run, for there is still a relatively large demand from first-time home buyers and upgraders. In 2024, with the implementation of economic stabilisation policies, the national economy is expected to steadily rebound, and the property market is also expected to gradually return to normal.

In 2023, the Group maintained excellent product design, operation and development, quality control, and customer service capabilities, which enabled us to develop a core competitiveness with local real estate developer characteristics. By optimising the Group's management and control and the core functions of its services, we increased our business efficiency, strengthened our internal control, and prevented risks in advance under an effective and orderly business process. At the same time, we also formulated and adopted more marketing strategies, increased our marketing incentives, and enhanced our performance reviews to maximise sales.

In 2023, the Group acquired 8% of equity interests of Xuchang Hengrong Real Estate Development Company Limited*, which was held by Xuchang Yuanjing Decoration Engineering Co., Ltd.*, increasing the equity interests held by the Group from 92% to 100%. At the same time, the Group made a successful bid for a commercial and residential land parcel of approximately 92,999 sq.m. in Yuzhou. The land parcel is situated at a prime location and has relatively good market competitiveness.

In 2023, the Group's cumulative contracted sales amounted to approximately RMB2,634.2 million, with a cumulative contracted sales area of approximately 437,621 sq.m..

The Group continues to adhere to the principle of “Integrity Management, Fulfilling Every Promise”. After gaining a foothold in the market with our products and services, we have always insisted on developing the market in-depth, implementing a development strategy that pursues excellence and ensures effective operation and great service, always uphold our development goals of “integrity and stability”, and strive to achieve a win-win situation for our customers, society, employees, and investors.

* *English name for identification purpose only*

LAND RESERVES

As at 31 December 2023, the GFA of the Group's land reserves was approximately 3.5 million square meters ("sq.m."). The table below sets forth a summary of the land reserves as at 31 December 2023 by geographical location:

	<u>Completed</u>	<u>Under</u>	<u>Future</u>		
	<u>Completed</u>	<u>development</u>	<u>development</u>		
	Completed				
	saleable/				
	leasable GFA				
	remaining	GFA under	Planned	Total land	% of total
	unsold	development	GFA	reserve	land reserve
	sq.m.	sq.m.	sq.m.	sq.m.	%
<i>Xuchang City</i>					
Weidu District	121,570	166,262	42,594	330,426	9.39
Jian'an District	44,846	49,200	97,730	191,776	5.45
Yuzhou City	121,195	754,916	358,953	1,235,064	35.08
Changge City	73,587	200,074	180,996	454,657	12.91
Yanling County	18,739	174,770	103,867	297,376	8.45
Xiangcheng County	6,110	79,263	50,214	135,587	3.85
Dongcheng District	—	386,796	115,305	502,101	14.26
Economic and technological development zone	4,513	134,744	170,594	309,851	8.80
<i>Luohe City</i>					
Linying County	1,496	62,333	—	63,829	1.81
Total	<u>392,056</u>	<u>2,008,358</u>	<u>1,120,253</u>	<u>3,520,667</u>	<u>100</u>

Note: Land reserves equal the sum of (i) total completed saleable/leasable GFA remaining unsold, (ii) total GFA under development and (iii) total planned GFA held for future development.

CONTRACTED SALES

The table below sets forth a breakdown of our major types of contracted sales and contracted average selling price (“ASP”):

	For the year ended 31 December		% change +/-
	2023	2022	
Contracted sales attributable to:			
Residential units (RMB, million)	2,112.9	1,823.0	+15.9%
Commercial units (RMB, million)	413.0	240.4	+71.8%
Car parking spaces (RMB, million)	86.3	55.2	+56.3%
Others (RMB, million)	22.0	13.7	+60.6%
	<hr/>	<hr/>	
Total (RMB, million)	<u>2,634.2</u>	<u>2,132.3</u>	<u>+23.5%</u>
Contracted saleable GFA/Lot attributable to:			
Saleable GFA (sq.m.)	437,621	337,623	+29.6%
Car parking space (lot)	1,980	942	+110.2%
Contracted ASP attributable to:			
Saleable GFA (RMB/sq.m.)	5,822	6,152	-5.4%
Car parking space (RMB/lot)	<u>43,586</u>	<u>58,599</u>	<u>-25.6%</u>

Our contracted ASP per sq.m. of saleable GFA decreased by 5.4% to approximately RMB5,822 per sq.m. in 2023. The decrease in 2023 was mainly due to the decrease in market price of properties in Henan Province.

FINANCIAL REVIEW

Results

The financial performance and results for the year ended 31 December 2023 were average. Key financial ratios have met the expectation of the management.

During the year ended 31 December 2023, the revenue of the Group reached approximately RMB3,565.6 million (2022: RMB2,861.8 million), representing an increase of approximately 24.6%.

The Group recorded gross profit of approximately RMB434.2 million (2022: RMB421.4 million), representing an increase of approximately RMB12.8 million, or approximately 3.0%.

Gross profit margin was approximately 12.2% in 2023 (2022: 14.7%), representing a decrease by approximately 2.5 percentage points as compared with that in 2022.

Profit for the year decreased by approximately RMB41.0 million, or 52.7%, from approximately RMB77.8 million for the year ended 31 December 2022 to approximately RMB36.8 million for the year ended 31 December 2023.

Revenue

Our revenue was derived from (i) sales of properties, (ii) rental income and (iii) service income. The following table sets forth the breakdown of the revenue and their respective percentages of contribution to the total revenue for the years indicated:

	Year ended 31 December				
	2023		2022		% change
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	+/-
Sales of properties	3,554,210	99.7	2,850,035	99.6	+24.7%
Rental income	8,720	0.2	6,832	0.2	+27.6%
Service income	2,668	0.1	4,904	0.2	-45.6%
	<u>3,565,598</u>	<u>100.0</u>	<u>2,861,771</u>	<u>100.0</u>	<u>+24.6%</u>

The tables below set out the revenue from the sales of properties, the total GFA units of properties recognised and the overall recognised ASP of our properties by property types:

	Year ended 31 December					
	2023			2022		
	Revenue	GFA	Recognised	Revenue	GFA	Recognised
	<i>RMB'000</i>	<i>recognised</i>	<i>ASP</i>	<i>RMB'000</i>	<i>recognised</i>	<i>ASP</i>
		<i>sq.m.</i>	<i>per sq.m.</i>		<i>sq.m.</i>	<i>per sq.m.</i>
			<i>RMB</i>			<i>RMB</i>
Residential	3,009,665	605,344	4,972	2,507,763	438,742	5,716
Commercial	461,773	82,353	5,607	232,703	26,323	8,840
Storage	13,282	7,317	1,815	20,944	10,706	1,956
	<u>3,484,720</u>	<u>695,014</u>	<u>5,014</u>	<u>2,761,410</u>	<u>475,771</u>	<u>5,804</u>
	Revenue	Units	Recognised	Revenue	Units	Recognised
	<i>RMB'000</i>	<i>recognised</i>	<i>ASP per</i>	<i>RMB'000</i>	<i>recognised</i>	<i>ASP per</i>
		<i>lot</i>	<i>unit</i>		<i>lot</i>	<i>unit</i>
			<i>RMB</i>			<i>RMB</i>
Car parking spaces	<u>69,490</u>	<u>1,518</u>	<u>45,777</u>	<u>88,625</u>	<u>1,770</u>	<u>50,071</u>

Sales of properties, which accounted for approximately 99.7% (2022: 99.6%) of our total revenue for the year ended 31 December 2023, were contributed by the sales of residential and commercial properties, storages and car parking spaces recognised in the year.

Our revenue increased by approximately RMB703.8 million or 24.6% from approximately RMB2,861.8 million for the year ended 31 December 2022 to approximately RMB3,565.6 million for the year ended 31 December 2023, which was principally attributable to the result of approximately RMB501.9 million increase in the sales of our residential properties during the year ended 31 December 2023.

The increase in sales of residential properties was mainly due to the effect of increase in GFA recognised from approximately 438,742 sq.m. for the year ended 31 December 2022 to approximately 605,344 sq.m. for the year ended 31 December 2023, partially offset by the decrease in ASP per sq.m..

The increase in the sales of our commercial properties during the year was primarily due to the increase in GFA recognised by 212.9%, partially offset by the decrease of ASP per sq.m. from approximately RMB8,840 in 2022 to RMB5,607 in 2023.

Gross profit and gross profit margin

The table below sets out the revenue, gross profit/(loss) and gross profit margin by types:

	Year ended 31 December							
	2023				2022			
	Revenue	Cost of	Gross	Gross	Revenue	Cost of	Gross	Gross
	RMB'000	sales	profit/	profit	RMB'000	sales	profit/	profit
		RMB'000	(loss)	Margin		RMB'000	(loss)	Margin
			RMB'000	%			RMB'000	%
Sales of properties								
— Residential	3,009,665	2,624,731	384,934	12.8	2,507,763	2,136,982	370,781	14.8
— Commercial	461,773	364,439	97,334	21.1	232,703	152,230	80,473	34.6
— Car parking spaces and storages	82,772	138,057	(55,285)	-66.8	109,569	141,784	(32,215)	-29.4
Subtotal	3,554,210	3,127,227	426,983	12.0	2,850,035	2,430,996	419,039	14.7
Rental income	8,720	330	8,390	96.2	6,832	—	6,832	100.0
Service income	2,668	3,838	(1,170)	-43.9	4,904	9,399	(4,495)	-91.7
	<u>3,565,598</u>	<u>3,131,395</u>	<u>434,203</u>	<u>12.2</u>	<u>2,861,771</u>	<u>2,440,395</u>	<u>421,376</u>	<u>14.7</u>

The gross profit margin of sales of properties dropped from approximately 14.7% in 2022 to 12.0% in 2023.

The gross profit margin of residential properties decreased from approximately 14.8% in 2022 to 12.8% in 2023, representing a year-on-year decrease of approximately 2.0 percentage points. It was primarily attributable to the decrease in recognised ASP per sq.m..

The negative gross profit margin of sales of car parking spaces and storage in year 2023 was due to the combined effects of (i) decrease in market price of car parking spaces and storages of certain projects in Xuchang City; and (ii) write-down of value of car parking spaces and storages in 2023.

Fair value losses on investment properties

The Group's investment properties were valued at 31 December 2023 by an independent professional qualified valuers, Vincorn Consulting and Appraisal Limited, who hold recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued.

Selling and marketing expenses

For the year ended 31 December 2023, the Group's selling and marketing expenses amounted to approximately of RMB168.5 million (2022: RMB124.3 million), representing an increase of approximately 35.6% as compared to that in 2022. The increase was mainly due to more promotion activities and campaign for brand building during the year ended 31 December 2023.

Administrative expenses

The administrative expenses decreased by approximately 3.4% from approximately RMB135.7 million in 2022 to approximately RMB131.1 million in 2023, the decrease of administrative expenses was mainly due to the decrease of staff costs.

Finance costs

Finance costs primarily consisted of interest on borrowings and lease liabilities, less interest expenses which were capitalised to the extent that such costs are directly attributable to property development projects. Our finance costs decreased by approximately 18.2% from approximately RMB1.1 million for the year ended 31 December 2022 to approximately RMB0.9 million for the year ended 31 December 2023.

Income tax expenses

Income tax expenses mainly comprised of the PRC Corporate Income Tax and land appreciation tax arising from our PRC subsidiaries. Income tax expenses increased by approximately 26.6% or RMB20.4 million from approximately RMB76.6 million for the year ended 31 December 2022 to the approximately RMB97.1 million for the year ended 31 December 2023.

Liquidity, financial resources and capital resources

As of 31 December 2023, the cash and cash equivalents amounted to approximately RMB274.8 million (31 December 2022: RMB221.1 million), of which approximately RMB274.5 million (31 December 2022: RMB220.4 million) was denominated in Renminbi and approximately RMB0.3 million (31 December 2022: RMB0.7 million) was denominated in Hong Kong dollars.

As at 31 December 2023, the restricted bank deposits amounted to approximately RMB165.6 million (31 December 2022: RMB180.8 million), all restricted bank deposits was denominated in Renminbi.

The Group's total borrowings amounted to approximately RMB948.6 million as of 31 December 2023 (31 December 2022: RMB672.8 million), of which approximately RMB678.6 million was classified as current liabilities (31 December 2022: RMB395.3 million). Approximately 68.9% (31 December 2022: 61.1%) out of the Group's total borrowings was fixed interest rates.

At 31 December 2023 and 2022, the Group's borrowings were repayable as follows:

	As at 31 December 2023			As at 31 December 2022		
	Within 1 year RMB'000	Between 1 to 2 years RMB'000	Between 2 to 5 years RMB'000	Within 1 year RMB'000	Between 1 to 2 years RMB'000	Between 2 to 5 years RMB'000
Bank borrowings	182,900	205,000	27,500	193,000	64,000	66,500
Other long-term borrowings	495,692	25,000	12,537	198,840	134,468	12,537
Other borrowings	—	—	—	3,500	—	—
	<u>678,592</u>	<u>230,000</u>	<u>40,037</u>	<u>395,340</u>	<u>198,468</u>	<u>79,037</u>

Current, total and net assets

As of 31 December 2023, the Group had current assets of approximately RMB8,703.6 million (31 December 2022: RMB9,663.3 million) and current liabilities of approximately RMB6,931.1 million (31 December 2022: RMB7,849.2 million), the net current assets value slightly decreased from approximately RMB1,814.1 million as at 31 December 2022 to approximately RMB1,772.5 million as at 31 December 2023.

As of 31 December 2023, the Group had total assets of approximately RMB9,085.2 million (31 December 2022: RMB10,029.5 million) and total liabilities of approximately RMB7,227.2 million (31 December 2022: RMB8,156.0 million), representing a decrease of net assets or total equity from approximately RMB1,873.5 million as at 31 December 2022 to approximately RMB1,858.0 million as at 31 December 2023.

Charge on assets

The Group's borrowings are secured by equity interests of subsidiaries, investment properties, properties held or under development for sale and property, plant and equipment of the Group.

Contingent liabilities

- (a) The Group has provided guarantees to secure obligations of certain purchasers of the Group's properties for repayments. Such guarantees will terminate upon the earlier of (i) the issuance and transfer of the real estate ownership certificate, or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties after the relevant legal procedures. The Group's guarantee period starts from the date of grant of mortgage. The Directors consider that the likelihood of default of payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

- (b) In line with the diversified land acquisition strategies of the Group, a subsidiary of the Group obtained 20% equity interest in an associate of the Group (the "**Associate**") which hold a parcel of land for development through a bidding process, and remaining 80% equity interest are held by an independent third party (the "**Investee**"). Based on the investment agreement entered into between the Associate, the subsidiary of the Group and the Investee, the Associate has to repay the shareholder's loans provided by the Investee within a specified timeframe after commencement of presale activities. If the Associate fails to return such shareholder's loan on time, the subsidiary of the Group is required to provide funding to the Associate for the repayment of the shareholder's loans. As at 31 December 2023, such shareholder's loans of the Associate are approximately RMB229,495,000 (2022: RMB184,027,000).

In addition, pursuant to the above-mentioned investment agreement, the subsidiary of the Group also has to compensate for all losses of the Investee if the property project is delayed under certain conditions or that the repayment of shareholder's loans is delayed beyond certain period stipulated in the investment agreement. The directors of the Company consider that the risk of providing funding for repayment of shareholder's loans or any compensation loss is low as the development progress has been continuously communicated and mutually agreed.

- (c) The Group has provided certain pledges of its investment properties and properties held or under development for sale for borrowings of certain third parties amounting to approximately RMB120,900,000.

Key financial ratios:

	For the year ended 31 December	
	2023	2022
Profitability ratios		
Return on assets	0.4%	0.8%
Return on equity	2.0%	4.2%
Net profit margin	<u>1.0%</u>	<u>2.7%</u>
	As of 31 December	
	2023	2022
Liquidity ratio		
Current ratio	1.3	1.2
Capital adequacy ratios		
Gearing ratio (<i>note 1</i>)	51.1%	35.9%
Debt to equity ratio (<i>note 2</i>)	36.3%	24.1%

Note 1: Gearing ratio is our total debts, including bank borrowings, other long-term borrowings and other borrowings, as a percentage of total equity.

Note 2: Debt to equity ratio is our total debts, minus cash and cash equivalents, as a percentage of total equity.

KEY RISK FACTORS

All of our projects are located in Henan Province, the PRC. Our business continues to be heavily dependent on the performance of the property markets in Xuchang City and Henan Province. These property markets may be affected by local, regional, national and global factors, many of which are beyond our control and could include economic and financial conditions, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital. The selling price per sq.m. and gross profit margins of our properties vary by the type of properties we developed and sold, and affected by various factors including the market demand of the properties located, prevailing local market prices, the cost of properties constructed and sold.

The property market in the cities in which we have operations or plan to expand our operations has been competitive. Our existing and potential competitors include both major national and regional property developers with expansive operations in the cities or markets in which we operate as well as local property developers. We compete with them with respect to a number of factors, including land acquisition, geographic location, management expertise, financial resources, access to transportation infrastructure, size of land reserves, product quality, brand recognition by customers, customer services and support, pricing and design quality. We may seek to further enhance our market presence in these cities amid intense competition.

In addition, our business is also subject to the general social conditions in the regions where we operate and in the PRC in general. Any occurrence of force majeure events, natural disasters or outbreaks of epidemics and pandemics, including those caused by avian influenza, swine influenza, Middle East respiratory syndrome coronavirus or COVID-19 in the regions where we operate or in the PRC in general, which are beyond our control, depending on their scale, may cause different degree of damages to the economy, social conditions, infrastructure and livelihood of the people of the regions we operate or in China in general.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow or fair value interest rate risk.

The Group is principally engaged in the property development business in the PRC with almost all transactions denominated in Renminbi. In addition, the majority of the Group's assets and liabilities are denominated in Renminbi. Accordingly, the Group is not exposed to significant foreign currency risk, except for the bank deposits denominated in Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the management of the Group closely monitors the foreign exchange exposure and will take actions when necessary.

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this result announcement, the Group did not have any material acquisition or disposal of subsidiaries, associates or assets during the year ended 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Directors confirmed that as at the date of this result announcement, there are no current plans to acquire any material investment or capital assets other than in the Group's ordinary business of property development.

GEARING RATIO

Gearing ratio is our total debts, including bank borrowings, other long-term borrowings and other current borrowings, as a percentage of total equity. As at 31 December 2023, the gearing ratio of the Group was approximately 51.1%, representing an increase of approximately 15.2 percentage points as compared with approximately 35.9% as at 31 December 2022.

TREASURY POLICIES AND CAPITAL STRUCTURE

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

Human resource has always been the most valuable resource of the Group. As of 31 December 2023, the Group had a total workforce of 616 employees (31 December 2022: 755). The remuneration policy is reviewed by the Board from time to time. Emoluments of Directors are determined by the remuneration committee of the Company after considering performance of the Group, individual performance and comparing with market conditions. In addition to basic remuneration, the Group also provides medical insurance, social insurance contribution plans or other pension schemes, and other benefits in kind to the employees. The Group adopted a five-day work week policy applying to our certain back office staff to execute the philosophy of work-life balance.

To improve personnel training and development, the Group provides a series of employee training programmes, which aims to accelerate professional growth and identify competences and talents of diversified teams. High potential staff are preferred and developed intensively according to the promotion plan towards the management level. In order to attract and retain suitable candidates for business development, the Group adopted the share option scheme as an incentive since November 2018.

FORWARD LOOKING

Looking ahead to 2024, the Chinese economy will continue to recover, but the foundation of which is not yet solid enough. Obvious difficulties and challenges such as the complexity, volatility, and increasing uncertainty of the external environment, the excess supply over demand in the economic market, the lack of confidence or lowered expectations of property buyers, continue to exist. However, the spirit of the Central Economic Working Conference and the gradual implementation of existing policies will effectively ensure an economic upturn.

In 2024, the real estate market is expected to develop in a relatively stable manner. Under the dual effects of policy regulation and market adjustment, the real estate market will develop stably and positively, with a stronger focus on stability and sustainability. As technology continues to advance and environmental awareness continues to increase, the real estate industry will move towards becoming smart and green. Smart technologies will be adopted in areas such as property development, operation, and management to improve efficiency and quality, which requires real estate enterprises to constantly innovate and upgrade their business models and technological know-hows; while environmental friendliness will be realised by striving to protect the environment, conserve energy and achieve sustainability, which also requires enterprises to adopt greener and more sustainable measures and technologies in their project planning, design and construction, to meet market demands and catch up with market trends.

During the history of our development, our enterprises have gained wide recognition from various levels of government and various sectors of the society, as the Group continues to expand the geographical reach of its property development business, constantly optimise its corporate governance structure, standardise its business processes, enhance the quality of its products, and increase its brand influence.

In 2024, the Group will continue to uphold quality and treat it as the lifeline of our business, continue to strengthen management and control over our product quality, and at the same time, pay careful attention to policy changes to adjust our marketing strategies in a timely manner. We will also focus on business model innovation and brand building, and strive to provide quality products and services to satisfy consumer needs.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2023.

ANNUAL GENERAL MEETING AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS

The Company will arrange the time of convening the forthcoming annual general meeting of the Company (“**AGM**”) as soon as practicable, and the notice of the AGM will be published (and despatched to the shareholders of the Company, where applicable) in a timely manner in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the articles of association of the Company. Once the date of the AGM is finalised, the Company will publish the period of closure of register of members of the Company in a separate announcement and in the notice of the AGM.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate practices and procedures. The corporate governance principles of the Company emphasise a quality Board, transparency and accountability to all shareholders of the Company.

Throughout the year ended 31 December 2023, the Group complied with all the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. The Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2023.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2023.

The unmodified auditor's report on the Company's consolidated financial statements for the year ended 31 December 2023 will be included in the 2023 Annual Report to shareholders.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT PREPARED BY THE AUDITOR OF THE COMPANY

The Company would like to provide an extract from the independent auditor's report prepared by McMillan Woods (Hong Kong) CPA Limited on the Group's consolidated financial statements for the year ended 31 December 2023 as set out below:

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements, which indicates that, as at 31 December 2023, the Group had total current assets of approximately RMB8,703,626,000, including cash and cash equivalents of approximately RMB274,808,000. In contrast, the Group faced total current liabilities of approximately RMB6,931,092,000, including current portion of bank borrowings and other long-term borrowings with an aggregate carrying amount of approximately RMB678,592,000 due within twelve months from the end of the reporting period, as well as capital commitments of approximately RMB1,334,357,000 for properties under development for sale and land use rights. In addition, the Group was also exposed to potential cash outflows arising from the financial guarantees issued to third parties and a related party of approximately RMB7,187,911,000 as at 31 December 2023. In light of the relative low cash balances, significant short-term obligations within next twelve months and the potential cash outflows arising from the financial guarantees issued, together with uncertainties surrounding the Group's ability to generate sufficient operating cash flows, these events or conditions indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

SCOPE OF WORK OF MCMILLAN WOODS (HONG KONG) CPA LIMITED

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company's auditor, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Company's consolidated financial statements

for the year. The work performed by McMillan Woods (Hong Kong) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no opinion or assurance has been expressed by McMillan Woods (Hong Kong) CPA Limited on this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023.

EVENTS AFTER THE REPORTING PERIOD

(1) Suspension of Trading on the Stock Exchange

Trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on Tuesday, 2 April 2024 and will remain suspended pending the fulfillment of the Resumption Guidance as specified by the Stock Exchange.

(2) Resignation of Auditor

The Company's former auditor, PricewaterhouseCoopers, has tendered its resignation as the auditor of the Company with effect from 9 August 2024. For details of the resignation of PricewaterhouseCoopers, please refer to the announcement of the Company dated 12 August 2024.

(3) Resumption Guidance

On 25 June 2024, the Company received a letter from the Stock Exchange setting out the following guidance for the resumption of trading in the shares of the Company on the Stock Exchange (the "**Resumption Guidance**"). Pursuant to the Resumption Guidance, the Company shall:

- (a) conduct an appropriate independent investigation into the prepayments issue, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions;
- (b) demonstrate that there is no reasonable regulatory concern about the integrity, competence and/or character of the Group's management and/or any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;

- (c) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules;
- (d) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (e) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and
- (f) inform the market of all material information for the Company's shareholders and other investors to appraise its position.

For details of the Resumption Guidance, please refer to the announcement of the Company dated 28 June 2024.

(4) Progress of Fulfillment of the Resumption Guidance

For quarterly update on status of resumption and the Company's resumption plan in fulfilling the Resumption Guidance, please refer to the announcements of the Company dated 28 June 2024, 27 September 2024, 30 December 2024, 31 March 2025 and 1 July 2025 in accordance with Rules 13.09 and 13.24A of the Listing Rules.

(5) Appointment of New Auditor

The Company has appointed McMillan Woods (Hong Kong) CPA Limited as the new auditor of the Company with effect from 25 September 2024 to fill the casual vacancy following the resignation of PricewaterhouseCoopers and to hold office until the conclusion of the next annual general meeting of the Company. For details of the appointment of McMillan Woods (Hong Kong) CPA Limited as auditor, please refer to the announcement of the Company dated 25 September 2024.

Save as disclosed in this announcement, there were no significant events after 31 December 2023 and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT, ANNUAL REPORT AND CIRCULAR

This annual results announcement is published on the websites of the Company (www.everreachgroup.com) and the Stock Exchange (www.hkexnews.hk).

The annual report for the year ended 31 December 2023 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company (upon request) and available on the websites of the Company and the Stock Exchange in due course.

GENERAL INFORMATION

This annual results announcement only gives a summary of the information and particulars of the 2023 Annual Report from which the contents of this announcement are derived.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, the trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 2 April 2024, and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise due caution when dealing in the securities of the Company. When in doubt, Shareholders and potential investors of the Company are advised to seek advice from their own professional or financial advisers.

By order of the Board
Ever Reach Group (Holdings) Company Limited
Li Xiaobing
Chairman and Executive Director

Hong Kong, 18 July 2025

As at the date of this announcement, the executive Directors of the Company are Mr. Li Xiaobing (Chairman), Mr. Wang Zhenfeng (Chief Executive Officer), Ms. Qi Chunfeng and Mr. Wang Quan; and the independent non-executive Directors of the Company are Mr. Wei Jian, Mr. Fang Cheng and Mr. Lee Kwok Lun.

* *For identification purpose only*