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 2019

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 2019 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

		Year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**1,974,060**	1,883,603
Cost of sales	*5*	**(1,208,771)**	(1,253,721)
Gross profit		**765,289**	629,882
Fair value gains on investment properties		**4,484**	1,410
Selling and marketing expenses	*5*	**(63,502)**	(43,985)
Administrative expenses	*5*	**(90,558)**	(99,988)
Net impairment losses on financial assets	*5*	**(44,771)**	(10,704)
Other gains/(losses) – net	*4*	**19,581**	(6,574)
Operating profit		**590,523**	470,041
Finance income	*6*	**1,230**	993
Finance costs	*6*	**(73,861)**	(45,271)
Finance costs – net		**(72,631)**	(44,278)
Share of results of an investment accounted for using the equity method		**(548)**	–
Profit before income tax		**517,344**	425,763
Income tax expense	*7*	**(226,579)**	(195,902)
Profit for the year		**290,765**	229,861
Attributable to:			
Owners of the Company		**293,040**	224,505
Non-controlling interests		**(2,275)**	5,356
		290,765	229,861
Earnings per share attributable to the owners of the Company (expressed in RMB)			
– Basic and diluted earnings per share	*8*	**0.24**	0.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**290,765**	229,861
Other comprehensive income for the year		
– *Item that will not be reclassified subsequently to profit or loss*		
– Revaluation surplus upon transfer of an owner-occupied property to investment property, net of tax	**7,459**	–
Total comprehensive income for the year, net of tax	**298,224**	229,861
Attributable to:		
Owners of the Company	**300,499**	224,505
Non-controlling interests	**(2,275)**	5,356
	298,224	229,861

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

		As at 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**40,685**	41,031
Investment properties		**96,700**	75,250
Deferred tax assets		**102,947**	57,590
Right-of-use assets		**19,214**	–
An investment accounted for using the equity method		**–**	–
Total non-current assets		**259,546**	173,871
Current assets			
Prepayments for leasehold land		**443,330**	234,623
Properties held or under development for sale		**5,104,128**	3,890,921
Trade and other receivables and prepayments	*10*	**299,183**	312,340
Prepaid income taxes		**55,119**	43,218
Contract assets		**4,005**	3,942
Financial assets at fair value through profit or loss		**181**	190
Restricted cash		**115,740**	125,928
Cash and cash equivalents		**245,157**	419,502
Total current assets		**6,266,843**	5,030,664
Total assets		**6,526,389**	5,204,535

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
EQUITY			
Share capital		**10,645**	10,645
Share premium		**299,188**	299,188
Retained earnings		**752,291**	549,035
Other reserves		**153,824**	118,821
Equity attributable to owners of the Company		**1,215,948**	977,689
Non-controlling interests		**17,551**	19,826
Total equity		**1,233,499**	997,515
LIABILITIES			
Non-current liabilities			
Bank borrowings		**–**	29,000
Other long-term borrowings		**432,348**	574,170
Deferred tax liabilities		**13,139**	19,266
Lease liabilities		**16,223**	–
Total non-current liabilities		**461,710**	622,436
Current liabilities			
Bank borrowings		**291,000**	196,000
Current portion of other long-term borrowings		**342,752**	271,340
Contract liabilities		**2,702,327**	2,030,488
Trade and other payables	*11*	**1,114,038**	874,404
Current income tax liabilities		**377,855**	212,352
Lease liabilities		**3,208**	–
Total current liabilities		**4,831,180**	3,584,584
Total liabilities		**5,292,890**	4,207,020
Total equity and liabilities		**6,526,389**	5,204,535

NOTES

1 GENERAL INFORMATION

The Company (Cayman Islands Company Number: 313570) was incorporated in the Cayman Islands on 22 July 2016 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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 Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 November 2018 (the "Listing").

The financial information is presented in thousands of Renminbi (RMB'000), unless otherwise stated.

2 BASIS OF PREPARATION AND NEW STANDARD, AMENDMENTS AND INTERPRETATION EFFECTIVE IN 2019

2.1 Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Companies Ordinance ("HKCO")

The financial information set out in this announcement is extracted from the Company's consolidated financial statements which have been prepared in accordance with HKFRSs and the disclosure requirements of HKCO (Cap.622).

(ii) Historical cost convention

The financial information have been prepared on a historical cost basis, except for the followings:

- financial assets at fair value through profit or loss – measured at fair value through profit or loss, and
- investment properties – measured at fair value.

The preparation of financial statements in conformity with HKFRSs require 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.

(iii) New standard, amendments and interpretation of HKFRSs effective in 2019

The Group has applied the following new standard, amendments and interpretation for the first time for its annual reporting period commencing 1 January 2019:

- HKFRS 16 "Leases"
- Prepayment features with negative compensation – amendments to HKFRS 9
- Long-term interests in associates and joint ventures – amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle
- Plan amendment, curtailment or settlement – amendments to HKAS 19
- HK (IFRIC) Interpretation 23 – "Uncertainty over Income Tax Treatments"

The effects of the adoption of HKFRS 16 is disclosed in Note 2.2. The other standard, amendments and interpretation described above are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.

(iv) New standard and amendments of HKFRSs not yet adopted

The following new accounting standard and amendments have been published that are not mandatory for the financial year beginning on 1 January 2019 and have not been early adopted by the Group. These new standard and amendments are not expected to have a material impact on the Group's financial statements when they become effective.

Standard/Amendments	**Key requirements**	**Effective for annual periods beginning on or after**
• HKFRS 17 "Insurance Contracts"	Regarding a current measurement model where estimates are re-measured in each reporting period.	1 January 2021 (but likely to be extended)
• Definition of material – amendments to HKAS 1 and HKAS 8	Regarding using a consistent definition of materiality and incorporate some of the guidance in HKAS 1 about immaterial information.	1 January 2020
• Definition of a business – amendments to HKFRS 3	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs.	1 January 2020
• Revised conceptual framework for financial reporting	Regarding a standard-setting decisions in determining the accounting policies for transactions, events or conditions.	1 January 2020

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial statements that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening financial position on 1 January 2019.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 "Leases" and HK (IFRIC) Interpretation 4 "Determining whether an Arrangement contains a Lease".

(ii) Measurement of lease liabilities

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.57%.

	2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**19,060**
Future interest charge	**(4,812)**
Lease liabilities recognised as at 1 January 2019	**14,248**
Of which are	
Current lease liabilities	**2,995**
Non-current lease liabilities	**11,253**
	14,248

(iii) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the respective lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of assets:

	31 December 2019 *RMB'000*	**1 January 2019** *RMB'000*
Properties	19,214	14,688
Total right-of-use assets	**19,214**	**14,688**

(iv) Adjustments recognised in the consolidated statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- Right-of-use assets – increased by RMB14,688,000
- Prepayments – decreased by RMB440,000
- Lease liabilities – increased by RMB14,248,000

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

3 REVENUE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Sales of properties	**1,971,020**	1,881,364
– Recognised at a point in time	**1,907,952**	1,376,710
– Recognised over time	**63,068**	504,654
Rental income	**3,040**	2,239
	1,974,060	1,883,603

4 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Waiver of the interest payable to Mr. Lin Peiqing (a)	**20,128**	–
Gain on disposal of an associate	**548**	–
Penalties, fines and compensations for late delivery of properties	**64**	(72)
Exchange gains/(losses)	**62**	(2,810)
Donations	**(1,388)**	(5,002)
Fair value losses on financial assets at fair value through profit or loss	**(9)**	(32)
Listing rewards from local government	**–**	1,300
Losses on disposal of property, plant and equipment	**–**	(6)
Others	**176**	48
	19,581	(6,574)

(a) On 20 March 2019, the Group signed an agreement with Mr. Lin Peiqing, under which Mr. Lin Peiqing agreed to waive the interest payable due to him of approximately RMB20,128,000. The Group recognised the waiver as other gain in the consolidated statement of profit or loss for the year ended 31 December 2019.

5 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses, administrative expenses and net impairment losses on financial assets are analysed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Costs of properties recognised in profit or loss		
– Land use rights and demolition and resettlement costs, after deducting related government grants	**321,577**	324,850
– Construction costs and capitalised expenditures	**773,574**	835,680
– Increase/(decrease) in write-down of properties held for sale	**25,660**	(810)
– Interest capitalised	**74,526**	78,386
Tax and surcharges	**7,081**	8,857
Staff costs	**66,254**	59,454
Net impairment losses on financial assets (a)	**44,771**	10,704
Advertising and publicity costs	**25,084**	19,421
Office and meeting expenses	**14,482**	12,938
Professional fees (b)	**14,688**	9,757
Entertainment expenses	**12,324**	9,615
Depreciation of property, plant and equipment and amortisation of right-of-use assets	**9,668**	4,707
Stamp duty and other taxes	**9,644**	8,911
Sales agent commission	**4,005**	2,967
Travelling expenses	**1,028**	2,219
Rental expenses	**89**	2,711
Bank charges	**272**	72
Listing expenses (b)	**–**	14,555
Other expenses	**2,875**	3,404
Total cost of sales, selling and marketing expenses and administrative expenses	**1,407,602**	1,408,398

(a) Net impairment losses on financial assets of RMB10,704,000 for the year ended 31 December 2018 was reclassified from administrative expenses to conform with the presentation for the year ended 31 December 2019.

(b) Listing expenses for 2018 included auditor's remuneration of approximately RMB2.1 million for their listing services as reporting accountant. Professional fees for 2019 included auditor's remuneration of RMB2.2 million (2018: RMB1.6 million) for their annual audit services.

6 FINANCE INCOME/(COSTS)

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Finance income		
– Interest income on bank deposits	**1,230**	993
Finance costs		
– Interest on bank borrowings and other long-term borrowings	**(59,897)**	(98,466)
– Interest on pre-sale deposits received	**(99,384)**	(41,628)
– Interest charge for lease liabilities	**(961)**	–
	(160,242)	(140,094)
Amount capitalised	**86,381**	94,823
Finance costs expensed	**(73,861)**	(45,271)
Finance costs - net	**(72,631)**	(44,278)

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax		
– PRC land appreciation tax	**115,386**	83,701
– PRC corporate income tax	**162,052**	112,476
	277,438	196,177
Deferred income tax	**(50,859)**	(275)
Total income tax charged for the year	**226,579**	195,902

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax	**517,344**	425,763
PRC land appreciation tax	**(115,386)**	(83,701)
	401,958	342,062
Income tax calculated at statutory rate of 25%	**100,490**	85,516
Effect of expenses not deductible for income tax purposes *(note)*	**9,920**	13,573
Tax losses not recognised as deferred tax assets	**783**	793
PRC withholding tax	**–**	12,319
PRC land appreciation tax	**115,386**	83,701
Total income tax expense	**226,579**	195,902

Note: Expenses not deductible for income tax purposes mainly represent entertainment expenses in excess of the prescribed cap, non-deductible donations, and interest expenses without proper invoices etc.

PRC corporate income tax

Under the Corporate Income Tax (the "CIT") Law of the PRC, the CIT rate applicable to the Group's subsidiaries located in the PRC from 1 January 2008 is 25%.

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong.

No deferred PRC withholding income tax was recognised on the accumulated unremitted distributable profits up to 31 December 2017, which were generated by the Group's PRC subsidiaries and are attributable to the investors outside the PRC. The Group controls the dividend policies of these subsidiaries and it has been determined that the accumulated unremitted distributable profits up to 31 December 2017 will not be distributed in the foreseeable future.

Based on the management's best estimation, deferred income tax liabilities of RMB12,319,000 as at 31 December 2018 have been recognised for the PRC withholding tax that would be payable upon remittance, in respect of a portion of the unremitted distributable profits of certain PRC subsidiaries attributable to the investors outside the PRC.

During 2019, withholding tax of RMB 3,111,111 has been paid by the Group upon the payment of dividend. No additional deferred income tax charge during the year ended 31 December 2019 has been recognised for the PRC withholding tax.

As at 31 December 2019, deferred PRC withholding income tax liabilities of RMB82,178,000 (31 December 2018: RMB62,159,000) have not been recognised on the remaining unremitted distributable profits of RMB821,776,000 (2018: RMB621,591,000) of the Group's PRC subsidiaries.

Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures, and is included in the consolidated statement of profit or loss as income tax expense.

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was provided as the Group's companies located in Hong Kong did not have assessable income subject to Hong Kong profits tax for the years ended 31 December 2019 and 2018.

Overseas corporate income tax

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the British Virgin Islands as they were not subject to any tax during the years ended 31 December 2019 and 2018.

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of shares in issue during 2018, the 899,900,000 shares issued and allotted through capitalisation of the share premium account of the Company upon Listing on 12 November 2018 were deemed to have been in issue since 1 January 2018.

	Year ended 31 December	
	2019	2018
The Group's profit attributable to owners of the Company (RMB'000)	**293,040**	224,505
Weighted average number of ordinary shares in issue ('000)	**1,200,000**	940,274
Basic and diluted earnings per share (expressed in RMB)	**0.24**	0.24

For the years ended 31 December 2019 and 2018, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

9 DIVIDENDS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
(i) Dividend payable at the end of the reporting period	**–**	–
(ii) Dividend paid in cash during the years ended 31 December 2019 and 2018	**62,240**	–
(iii) Dividend not recognised at the end of the reporting period *(Note)*	**–**	60,000

Note: On 28 March 2019, the Directors have recommended the payment of a final dividend of HK5.9 cents (equivalent to approximately RMB5.0 cents) per fully paid ordinary share in respect of the year ended 31 December 2018. Such proposed dividend is not recognised as a liability at year end. The dividend was approved at the annual general meeting of the Company held on 24 May 2019, and fully paid out by 30 June 2019.

No dividend was declared or proposed for the year ended 31 December 2019.

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**–**	–
Other receivables and prepayments	**299,183**	312,340
	299,183	312,340

11 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables	**765,417**	658,763
Other payables	**348,621**	215,641
	1,114,038	874,404

At 31 December 2019 and 2018, the ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Less than 1 year	**694,164**	594,542
Between 1 and 2 years	**41,572**	35,784
Between 2 and 3 years	**23,397**	19,647
Over 3 years	**6,284**	8,790
	765,417	658,763

As at 31 December 2019 and 2018, the fair value of trade and other payables approximates their carrying amounts.

As at 31 December 2019 and 2018, the carrying amounts of trade and other payables were all denominated in RMB.

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 2019.

ANNUAL REVIEW

The year 2019 marked the first full financial year following the Company's shares having been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 November 2018. It was a year in which opportunities and pressure coexisted and it was also a rewarding year in which a glorious brand-new chapter was unveiled. Pursuing the Group's annual and mid-to-long-term goals, all employees worked hard together, putting in untiring efforts, made bold adjustments, carried out various work with a down-to-earth attitude to achieve steady progress, which has laid a solid foundation for the future rapid development of the Group.

"Hengda (恒達)"is a reputable brand name in the real estate industry in Xuchang City. Thanks to the vigorous efforts it has devoted over the past 27 years of development, it has become one of the leading real estate development companies in Xuchang City, Henan Province. It is believed that with the Group's extensive experience in the real estate industry, coupled with its highly-recognizable brand and high-quality professional services, the Group will continue to seize development opportunities in the real estate industry and further expand its business, thereby consolidating and enhancing the Group's market position.

The Group continued to extensively explore Xuchang region over the past year, taking advantage of its popularity and rich management experience in the region to speed up its expansion. Meanwhile, in the face of pressure arising from market and economic regulations, the Group strived to make quality and services in parallel, increased the turnover rate, and continued to consolidate and enhance market share in the local region. The Group proactively sought suitable development opportunities through the brand power of a listed company while strengthening market development efforts in other regions of the province, making unremitting efforts for the realization of medium and long-term goals.

Under the overarching principle that "residential properties are for living, not speculation" implemented by the Group in 2019, the Group took the initiative to facilitate the shanty-town reformation and responded to inelastic demand for housing to contribute to the society. As such, we delivered spectacular results to our shareholders.

ANNUAL RESULTS

For the year ended 31 December 2019, the Group's total revenue was approximately RMB1,974.1 million, representing an increase of approximately 4.8% from approximately RMB1,883.6 million for the year ended 31 December 2018. For the year ended 31 December 2019, the net profit was approximately RMB290.8 million, representing an increase of approximately 26.5% from approximately RMB229.9 million for the year ended 31 December 2018.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019.

OUTLOOK

China's real estate industry in 2020 will have its focuses made along the line of "stable" and "balance". Against the backdrop of intensifying downward pressure of the national economy and in the face of the outbreak of novel coronavirus, COVID-19, that has swept across the country, which posed challenges to the anti-pressure capability of market economy. It is fundamental that the real estate industry should stand up to stabilize the market under such circumstances. The balance between supply and demand will also pose an issue in the later stage. In the short term, the real estate transaction volume nationwide will shrink due to the epidemic, but the inelastic demand for housing may increase following the end of the epidemic. Therefore, the real estate industry is required to make dynamic adjustments to stabilize the market.

The approval of a series of national and local positioning, such as the overall strategy of "Rise of Central China" (中部崛起), promotion of Zhengzhou City to be China's central city, and the "Integration of Zhengzhou and Xuchang" proposed by the relevant governmental authorities have provided guidelines for the development direction of Henan Province and Xuchang City. As China's restrictions on settlement policy for most cities are loosened, Henan Province, being a populous province in China, will obviously reap the benefits brought by this policy. In addition, various localities have adopted real estate policies to support reasonable housing consumption, which will stabilize the real estate market.

There are new challenges coming out in the new year. Impacted by the outbreak of novel coronavirus across China, all industries have been under great pressure. As a responsible enterprise, the Group also assumes corresponding social responsibilities.

Looking forward, the Group will continue striving to improve efficiency, raise quality, and increase brand awareness. In the coming year, the Group will, (i) increase marketing efforts to accelerate the return of funds to minimize impacts during the time of the epidemic; (ii) increase operational management efforts to achieve a balance between plan and progress amid operational efficiency of various projects within the shortest possible time; (iii) enhance the efforts in the training of talents and adjust the staff structure in order to nourish multi-talented personnel in management and technology and build up core competitiveness; and (iv) foster innovative thinking by seeking cooperation, M&A and investment opportunities through flexible methods, taking advantage of its brand influence in Henan Province to promote the healthy and stable development of the Group.

In 2020, the Group will strive to seize opportunities and proactively cope with challenges. The Group will pursue progress while ensuring stability. I believe that, we will mount new height while marching forward and make new contributions to the Group and shareholders.

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 also 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

In 2019, China maintained its stability-oriented real estate policy, with full implementation of policy being carried out in specific cities, which fell into three aspects from the analysis of the policy. The first was to stabilise the real estate market, gradually loosening settlement policy in cities; the second was to narrow the sources of funding of capital for the real estate industry; and the third was not to utilize real estate as a short-term stimulus to the economy while re-emphasizing the market orientation of "residential properties are for living, not speculation". The real estate industry's basic operating system has been improving, laying a solid foundation for further implementation of long-term real estate management mechanism. On the whole, the operating policy environment for China's real estate market in 2019 was difficult due to tightening of policy as compared with previous years.

In 2019, the real estate industry grew at an accelerated pace, major real estate enterprises nationally or regionally were proactively seizing opportunities, adopting flexible policies to improve efficiency and grasp returns. The industry's financing channels contracted with corporate financing becoming more difficult. Major real estate enterprises nationally or regionally strengthened cash control to ease capital pressure. In general, policy adjustment and tightening of financing have become two major headwinds faced by the real estate industry.

In 2019, Henan's economy maintained an overall stable and positive growth trend. Investment in real estate development increased by about 6.4%; the gross floor area ("**GFA**") of commercial housing sales was approximately 140 million square meters, an increase of approximately 2.1% over last year; sales of commercial housing reached approximately RMB901.0 billion, an increase of about 11.9% over last year. The Group's contracted sales of commercial housing in 2019 was approximately RMB2.5 billion, a year-on-year increase of approximately 1.9%. Facing the severe environment of property industry in 2019, the Group's contracted saleable GFA decreased slightly, but the contracted sales of commercial housing increased, reflecting the contracted ASP increased steadily and the Group's regional strength and anti-pressure capability.

In 2019, Xuchang City boasted considerable development momentum, taking a big step towards high-quality development. The "1718" investment promotion plan, being the 171 key projects prioritized by the city, was implemented across the city, achieving annual investment of more than RMB100.0 billion, and striving to drive the city's fixed asset investment growth rate of more than 8.0%. The plan will continue to increase effective investment, constantly introduce changes in quality, efficiency and capabilities with regard to economic development, providing strong support for Xuchang to lead the way in the Central Plains of the PRC.

The "Integration of Zhengzhou and Xuchang" has opened up new opportunities for Xuchang City to integrate into the development of Zhengzhou. It has also brought about a unique opportunity for Xuchang City to undergo a new round of rapid development whose ranking in terms of city development in China has been continuously on the rise. Possessing strong industrial strength locally, Xuchang City kept its employment level stable and its income level increasing. The overall development of the city was improving. The level of this city's development in the province or even, to the extent, in China has been soaring, thereby supporting the stable development of Xuchang's real estate industry and also bringing ample room for imagination and development momentum for the property market.

BUSINESS OVERVIEW

By continuing to adhere to the principle of "Integrity Management, Fulfilling Every Promise", the Group, with outstanding innovation spirit and untiring efforts, makes due contributions to society with sincerity, kindness and responsibility. In 2019, the Group was awarded the "Top 100 Private Enterprises in Henan Province" (河南民營企業100強) by the Industry & Commerce Association of Henan Province (河南省工商聯合會), and was again awarded the "Top 100 Modern Services in Private Enterprises in Henan Province"(河南民營企業現代服務業100強).

The Group has been working towards its annual and mid to long-term goals by making progress in internal management, project operation, brand promotion, standardization, and information construction. In 2019, the Group continued its expansion, acquiring a total of approximately 248,854 square meters of land through the process of bidding invitation, auction or listing, of which (i) approximately 124,213 square meters of land was acquired in Xuchang City; (ii) approximately 57,200 square meters of land was acquired in Yuzhou City; (iii) approximately 25,533 square meters of land was acquired in Changge City; (iv) approximately 6,199 square meters of land was acquired in Yanling County; and (v) approximately 35,709 square meters of land was acquired in Xiangcheng County.

In 2019, we took the initiative to launch different solutions in respect of sales of properties, of which the sales of Mingmen Xijun, Jinhui Plaza and King of the North were satisfactory with increased total contracted sales as compared with 2018. At the same time, the Group continued to develop projects, including Hengda Lanjun (恒達瀾郡), Hengda Heyuan (恒達和園), Jinhui Plaza Commercial (金匯廣場商業) and Yuzhou Binhefu (禹州市濱河府), providing steady growth momentum for our sales and performance in the coming years.

The Group adhered to the business model of developing mixed residential and commercial properties, which significantly increased the overall value of residential projects and enhanced the Group's brand image and reputation. At the same time, by renting out commercial properties and properties for sale, the Group can generate stable income streams from rents and generate cash flows at the same time, which can also spur the final sale of properties for sale.

Land reserves

As at 31 December 2019, the GFA of the Group's land reserves was approximately 3.9 million square meters ("**sq.m.**"). The table below sets forth a summary of the land reserves as at 31 December 2019 by geographical location:

	Completed	**Under development**	**Future development**		
	Completed saleable/ leasable GFA remaining unsold	**GFA under development**	**Planned GFA**	**Total land reserve**	**% of total land reserve**
	sq.m.	*sq.m.*	*sq.m.*	*sq.m.*	*%*
Xuchang City					
Weidu District	51,327	596,686	405,518	1,053,531	27.1
Jian'an District	67,265	86,530	146,930	300,725	7.7
Yuzhou City	27,514	587,583	1,193,680	1,808,777	46.5
Changge City	30,745	232,060	250,687	513,492	13.2
Yanling County	14,154	112,727	–	126,881	3.3
Xiangcheng County	–	–	87,850	87,850	2.2
Total	191,005	1,615,586	2,084,665	3,891,256	100.0

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 2019	2018	% change +/-
Contracted sales attributable to:			
Residential units (RMB, million)	**2,260.5**	1,954.5	+15.7%
Commercial units (RMB, million)	**267.1**	547.7	-51.2%
Car parking spaces (RMB, million)	**74.4**	146.4	-49.2%
Others (RMB, million)	**7.6**	9.4	-19.1%
Total (RMB, million)	**2,609.6**	2,658.0	-1.8%
Contracted saleable GFA/Lot attributable to:			
Saleable GFA (sq.m.)	**378,235**	381,793	-0.9%
Car parking space (lot)	**941**	1,067	-11.8%
Contracted ASP attributable to:			
Saleable GFA (RMB/sq.m.)	**6,703**	6,578	+1.9%
Car parking space (RMB/lot)	**79,065**	137,192	-42.4%

Our contracted ASP per sq.m. of saleable GFA increased by 1.9% to approximately RMB6,703 per sq.m. in 2019. The increase in 2019 was mainly due to the increase in market price of properties in Henan Province.

Our contracted ASP per lot for car parking space decreased by 42.4% to approximately RMB79,065 per lot in 2019 due to the lower ASP of the car parking spaces at the Jinhui Plaza in 2019. The high ASP of the car parking spaces at the Jinhui Plaza in 2018 was due to the rising market demand in last year, whereas the normal ASP has been restored to adapt market demand since 2019. In addition, the ASP of car parking spaces in other projects was stable in 2019 as compared to 2018.

FINANCIAL REVIEW

Results

The financial performance and results for the year ended 31 December 2019 were satisfactory. Key financial ratios have met the expectation of the management.

During the year ended 31 December 2019, the revenue of the Group reached approximately RMB1,974.1 million (2018: RMB1,883.6 million), representing an increase of approximately 4.8%.

The Group recorded gross profit of approximately RMB765.3 million (2018: RMB629.9 million), representing an increase of approximately RMB135.4 million, or approximately 21.5%.

Gross profit margin was approximately 38.8% in 2019 (2018: 33.4%), representing an increase of approximately 16.2% as compared with 2018.

Profit for the year increased by approximately RMB60.9 million, or 26.5%, from approximately RMB229.9 million for the year ended 31 December 2018 to approximately RMB290.8 million for the year ended 31 December 2019.

Revenue

Our revenue was derived from (i) sales of properties and (ii) rental 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				
	2019		2018		**% change**
	RMB'000	*%*	*RMB'000*	*%*	*+/-*
Sales of properties	**1,971,020**	**99.8**	1,881,364	99.9	+4.8%
Rental income	**3,040**	**0.2**	2,239	0.1	+35.8%
	1,974,060	**100.0**	1,883,603	100.0	+4.8%

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					
	2019			2018		
	Revenue	**GFA recognised**	**Recognised ASP per sq.m**	Revenue	GFA recognised	Recognised ASP per sq.m
	RMB'000	***sq.m.***	***RMB***	*RMB'000*	*sq.m.*	*RMB*
Residential	**1,710,974**	**305,165**	**5,607**	1,247,429	233,765	5,336
Commercial	**193,339**	**18,608**	**10,390**	548,565	54,563	10,054
Storage	**10,290**	**4,178**	**2,463**	11,149	3,852	2,894
	1,914,603	**327,951**	**5,838**	1,807,143	292,180	6,185

	Revenue	**Units recognised**	**Recognised ASP per unit**	Revenue	Units recognised	Recognised ASP per unit
	RMB'000	***lot***	***RMB***	*RMB'000*	*lot*	*RMB*
Car parking spaces	**56,417**	**711**	**79,349**	74,221	664	111,779

Sales of properties, which accounted for approximately 99.8% (2018: 99.9%) of our total revenue for the year ended 31 December 2019, were contributed by the sales of residential and commercial properties, storages and car parking spaces recognised in the year.

Our revenue increased by approximately RMB90.5 million or 4.8% from approximately RMB1,883.6 million for the year ended 31 December 2018 to approximately RMB1,974.1 million for the year ended 31 December 2019, which was principally attributable to the result of approximately RMB463.5 million increase in the sales of our residential properties during the year ended 31 December 2019 despite partially offset by approximately RMB355.2 million decrease in the sales of our commercial properties during the year ended 31 December 2019.

The increase in sales of residential properties was mainly due to the effect of increase of GFA recognised from approximately 233,765 sq.m. for the year ended 31 December 2018 to approximately 305,165 sq.m. for the year ended 31 December 2019, representing an increase of approximately 30.5% year-on-year.

The decrease in the sales of our commercial properties during the year was primarily due to the effect of decrease in GFA recognised for commercial properties of approximately 65.9% principally attributable to the decrease in sales of Hengda Weiyuan which contributed approximately RMB357.6 million in sales of commercial properties for the year ended 31 December 2019 while approximately RMB28.9 million in sales of commercial properties for the year ended 31 December 2019.

Gross profit and gross profit margin

The table below sets out the revenue, gross profit and gross profit margin by types:

	Year ended 31 December							
	2019				2018			
	Revenue	**Cost of sales**	**Gross profit**	**Gross profit Margin**	Revenue	Cost of sales	Gross profit	Gross profit Margin
	RMB'000	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*RMB'000*	*%*
Sales of properties								
– Residential	**1,710,974**	**1,040,085**	**670,889**	**39.2**	1,247,429	940,640	306,789	24.6
– Commercial	**193,339**	**95,424**	**97,915**	**50.6**	548,565	265,902	282,663	51.5
– Car parking spaces and storages	**66,707**	**73,262**	**(6,555)**	**(9.8)**	85,370	47,179	38,191	44.7
Subtotal	**1,971,020**	**1,208,771**	**762,249**	**38.7**	1,881,364	1,253,721	627,643	33.4
Rental	**3,040**	**–**	**3,040**	**100.0**	2,239	–	2,239	100.0
	1,974,060	**1,208,771**	**765,289**	**38.8**	1,883,603	1,253,721	629,882	33.4

The overall gross profit margin of sales of properties and gross profit margin of sales of residential properties increased from approximately 33.4% in 2018 to 38.7% in 2019 and approximately 24.6% in 2018 to 39.2% in 2019, respectively.

The gross profit margin of commercial properties slightly dropped from approximately 51.5% in 2018 to 50.6% in 2019, representing a year-on-year decrease of approximately 1.7%.

The negative gross profit margin of sales of car parking spaces and storage in year 2019 was due to the combined effects of (i) decrease in market price of car parking spaces of certain project in Xuchang City; and (ii) write-down of value of car parking spaces of approximately RMB25,742,000 in 2019.

Profit for the year was approximately RMB290.8 million (2018: RMB229.9 million), representing a growth of approximately RMB60.9 million. It was mainly due to the (i) increase of our revenue from approximately RMB1,883.6 million for the year ended 31 December 2018 to approximately RMB1,974.1 million for the year ended 31 December 2019; (ii) increase of other gain due to the waive of interest payable to Mr. Lin Peiqing, father-in law of Mr. Li Xiaobing; and (iii) the improvement of our overall gross profit margin from approximately 33.4% for the year ended 31 December 2018 to approximately 38.8% for the year ended 31 December 2019.

Fair value gains on investment properties

The Group's investment properties were valued at 31 December 2019 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 2019, the Group's selling and marketing expenses amounted to approximately of RMB63.5 million (2018: RMB44.0 million), representing an increase of approximately 44.4% as compared to that in 2018. The increase was mainly due to addition promotion activities and campaign for brand building during the year ended 31 December 2019.

Administrative expenses

The administrative expenses decreased by approximately 9.4% from approximately RMB100.0 million in 2018 to approximately RMB90.6 million in 2019, the decrease of administrative expenses was mainly due to the decrease of listing expenses.

Finance costs – net

Finance costs primarily consisted of (i) interest expenses on bank and other borrowings; and (ii) interest on pre-sale deposits received, less interest expenses which were capitalised to the extent that such costs are directly attributable to property development projects. Our finance costs increased by approximately 63.9% from approximately RMB44.3 million for the year ended 31 December 2018 to approximately RMB72.6 million for the year ended 31 December 2019. Such increase was mainly due to the increase in interest capitalised on pre-sale deposits received for the year ended 31 December 2019, which was primarily attributable to the increase in proceeds from pre-sale properties (record as "**contract liabilities**") from approximately RMB2,030.5 million as at 31 December 2018 to approximately RMB2,716.3 million as at 31 December 2019.

Income tax expense

Income tax expense mainly comprised of the PRC corporate income tax expense and land appreciation tax arising from our PRC subsidiaries. Income tax expenses increased by approximately 15.7% or RMB30.7 million from approximately RMB195.9 million for the year ended 31 December 2018 to the approximately RMB226.6 million for the year ended 31 December 2019, which was in line with increase of our profit in 2019.

Liquidity, financial resources and capital resources

As of 31 December 2019, the cash and cash equivalents amounted to approximately RMB245.2 million (31 December 2018: RMB419.5 million), of which approximately RMB242.6 million (31 December 2018: RMB372.8 million) was denominated in Renminbi and approximately RMB2.5 million (31 December 2018: RMB46.7 million) was denominated in Hong Kong dollars.

As at 31 December 2019, the restricted cash amounted to approximately RMB115.7 million (31 December 2018: RMB125.9 million), all restricted cash was denominated in Renminbi.

The Group's total borrowings amounted to approximately RMB1,066.1 million as of 31 December 2019 (31 December 2018: RMB1,070.5 million), of which approximately RMB633.8 million was classified as current liabilities (31 December 2018: RMB467.3 million). Approximately 42.0% (31 December 2018: 57.0%) out of the Group's total borrowings was fixed interest rates.

At 31 December 2019 and 2018, the Group's borrowings were repayable as follows:

	As at 31 December 2019			As at 31 December 2018			
	Within 1 year	**Between 1 to 2 years**	**Between 2 to 5 years**	Within 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	**291,000**	**–**	**–**	196,000	29,000	–	–
Other long-term borrowings	**342,752**	**171,128**	**261,220**	271,340	262,960	250,210	61,000
	633,752	**171,128**	**261,220**	467,340	291,960	250,210	61,000

Current, total and net assets

As of 31 December 2019, the Group had current assets of approximately RMB6,266.8 million (31 December 2018: RMB5,030.7 million) and current liabilities of approximately RMB4,831.2 million (31 December 2018: RMB3,584.6 million), there was no material change on net current assets value from approximately RMB1,446.1 million as at 31 December 2018 to approximately RMB1,435.6 million as at 31 December 2019.

As of 31 December 2019, the Group had total assets of approximately RMB6,526.4 million (31 December 2018: RMB5,204.5 million) and total liabilities of approximately RMB5,292.9 million (31 December 2018: RMB4,207.0 million), representing an increase of net assets or total equity from approximately RMB997.5 million as at 31 December 2018 to approximately RMB1,233.5 million as at 31 December 2019.

Charge on assets

The majority of the Group's bank borrowings and certain other long-term borrowings from third parties are secured by properties held or under development for sale of the Group.

Contingent liabilities

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of these purchasers 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.

Key financial ratios:

	For the year ended 31 December	
	2019	2018
Profitability ratios		
Return on assets	**5.0%**	4.7%
Return on equity	**26.1%**	31.6%
Net profit margin	**14.7%**	12.2%

	As of 31 December	
	2019	2018
Liquidity ratio		
Current ratio	**1.3**	1.4
Capital adequacy ratios		
Gearing ratio *(note 1)*	**86.4%**	107.3%
Debt to equity ratio *(note 2)*	**66.6%**	65.3%

Note 1: Gearing ratio is our total debts, including bank borrowings and other long-term 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, including those caused by avian influenza, swine influenza, severe acute respiratory syndrome, SARS, Middle East respiratory syndrome coronavirus, MERS-CoV 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

During the year ended 31 December 2019, the Group did not have any material acquisition or disposal of subsidiaries, associates or assets.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Directors confirmed that as at the date of this results 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 and other long-term borrowings, as a percentage of total equity. As at 31 December 2019, the gearing ratio of the Group was approximately 86.4%, representing decrease of approximately 20.9 percentage points as compared with approximately 107.3% as at 31 December 2018, which was mainly due to: (i) receipt of proceeds from pre-sale and delivery of pre-sold properties; and (ii) repayment of outstanding loans gradually during the year.

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 2019, the Group had a total workforce of 483 employees (31 December 2018: 426). 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 five-day week policy applying to our certain back office staff to execute the philosophy of work-life balance.

To intensify 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 incentive since November 2018.

USE OF PROCEEDS FROM THE IPO

As at 31 December 2019, the net proceeds from the IPO were fully utilised.

FORWARD LOOKING

Benefiting from the expansion of property size over the year that has just past, China has seen significant increase in sales and growth rate of commercial properties. Impacted by the outbreak of novel coronavirus, COVID-19, China's real estate industry faces tremendous pressure right after stepping into 2020, nevertheless, there is an overall demand in the industry. In the long run, the impact brought by the epidemic on real estate industry will be relatively less profound than some other industries.

2020 marks the last year of China's 13th Five-Year Plan. The construction of high-specification systems such as the National Housing Information Network (全國住房信息聯網) and the National Land Planning System (國土空間規劃體系) is expected to be more or less completed by 2020, which will push forward land planning and real estate development into a new era of more sustainable systematic development while at the same time the growing population will continue to provide strong support for the development of the real estate industry.

Given the fact that Henan Province has a population of over 100 million, there is a great domestic demand in the real estate industry brought by the huge local market, evidenced particularly by the growing population in Henan Province, where urbanization rate is not high. With the further implementation of national and local strategies such as the Rise of Central China (中部崛起), and the Integration of Zhengzhou and Xuchang and as a local brand, we will take the advantages to grasp market opportunities with the combination of hard power and soft power to make outstanding contributions to the development of the city.

As an enterprise with integrity and responsibility, the Group will, in the future, continue to adhere to the principle of "Integrity Management, Fulfilling Every Promise", enhance the quality of the city with premium buildings and craft quality living with ingenuity. By dedicating more valuable real estate projects to a large number of property owners, the Group will continue pushing forward urban development, opening a new chapter in urban construction and corporate development.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 29 June 2020. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 23 June 2020 to 29 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 22 June 2020.

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 2019, the Group complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 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 10 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 2019.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2019.

The unmodified auditor's report on the Company's consolidated financial statements for the year ended 31 December 2019 will be included in the 2019 Annual Report to shareholders.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

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 2019 as set out in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Company's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers 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 2019.

EVENTS AFTER THE REPORTING PERIOD

In late 2019 and early 2020, there was an outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") over the world. The Hong Kong and PRC Government has implemented a series of contingency and control measures to prevent the spread of COVID-19. The COVID-19 outbreak is expected to cause a giant impact to the economic and business environment. However, the Group's operations and financial performance were not materially affected during the year ended 31 December 2019. The outbreak of the COVID-19 may affect the operation and results of the Group in 2020 in a degree. The degree of impact depends on the escalation and the duration of the epidemic. The Group will keep attention on the situation and assess the impacts on the financial position and results of the Group from time to time. As at the date of this announcement, with the information currently available to the Company, the Company was not aware of significant adverse effects on the financial statements as a result of the COVID-19 outbreak.

Save as the above, there were no significant events after 31 December 2019 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 of Hong Kong Limited (www.hkex.com.hk).

The 2019 Annual Report and a circular containing the notice of the forthcoming annual general meeting will be dispatched to shareholders in due course.

GENERAL INFORMATION

This annual results announcement only gives a summary of the information and particulars of the 2019 Annual Report from which the contents of this announcement are derived.

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

Hong Kong, 30 March 2020

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.