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 2021

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 2021 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

		Year ended 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**2,767,678**	2,422,051
Cost of sales	*4*	**(1,916,191)**	(1,643,090)
Gross profit		**851,487**	778,961
Fair value gains/(losses) on investment properties		**8,050**	(3,811)
Selling and marketing expenses	*4*	**(139,620)**	(101,981)
Administrative expenses	*4*	**(162,207)**	(132,132)
Net impairment losses on financial assets	*4*	**(2,100)**	(694)
Other income		**4,092**	1,096
Other losses — net	*5*	**(20,052)**	(20,627)
Operating profit		**539,650**	520,812
Finance income	*6*	**1,566**	1,414
Finance costs	*6*	**(1,237)**	(10,876)
Finance income/(costs) — net		**329**	(9,462)
Profit before income tax		**539,979**	511,350
Income tax expense	*7*	**(236,810)**	(228,759)
Profit for the year		**303,169**	282,591
Attributable to:			
Owners of the Company		**306,913**	284,011
Non-controlling interests		**(3,744)**	(1,420)
		303,169	282,591
Earnings per share attributable to the owners of the Company (expressed in RMB)			
— Basic and diluted earnings per share	*8*	**0.26**	0.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Profit for the year	**303,169**	282,591
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year, net of tax	**303,169**	282,591
Attributable to:		
Owners of the Company	**306,913**	284,011
Non-controlling interests	**(3,744)**	(1,420)
	303,169	282,591

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**41,978**	45,768
Investment properties		**124,680**	94,050
Deferred tax assets		**158,248**	142,138
Right-of-use assets		**19,721**	22,852
An investment accounted for using the equity method		**—**	20,042
Intangible assets		**14,553**	—
Total non-current assets		**359,180**	324,850
Current assets			
Prepayments for leasehold land		**80,490**	192,758
Properties held or under development for sale		**8,915,148**	6,961,071
Trade and other receivables and prepayments	*10*	**399,757**	275,865
Prepaid income taxes		**104,697**	74,615
Contract assets		**6,234**	5,769
Financial assets at fair value through profit or loss		**6,155**	133
Restricted cash		**146,836**	119,002
Cash and cash equivalents		**281,489**	554,504
Total current assets		**9,940,806**	8,183,717
Total assets		**10,299,986**	8,508,567

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
EQUITY			
Share capital		**10,645**	10,645
Share premium		**299,188**	299,188
Retained earnings		**1,252,647**	1,022,188
Other reserves		**184,392**	167,938
Equity attributable to owners of the Company		**1,746,872**	1,499,959
Non-controlling interests		**98,588**	30,131
Total equity		**1,845,460**	1,530,090
LIABILITIES			
Non-current liabilities			
Bank borrowings		**156,200**	29,000
Other long-term borrowings		**248,000**	212,377
Deferred tax liabilities		**18,877**	16,699
Lease liabilities		**16,191**	18,336
Total non-current liabilities		**439,268**	276,412
Current liabilities			
Bank borrowings		**107,800**	110,000
Other current borrowings		**56,580**	64,640
Current portion of other long-term borrowings		**124,377**	136,000
Contract liabilities		**5,212,558**	3,877,453
Trade and other payables	*11*	**2,064,502**	2,081,117
Current income tax liabilities		**444,724**	426,729
Lease liabilities		**4,717**	6,126
Total current liabilities		**8,015,258**	6,702,065
Total liabilities		**8,454,526**	6,978,477
Total equity and liabilities		**10,299,986**	8,508,567

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

2 BASIS OF PREPARATION AND NEW STANDARD AND AMENDMENTS EFFECTIVE IN 2021

2.1 Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the 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 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.

(iii) Going Concern

Cash and cash equivalents balance of the Group reduced from RMB554.5 million at 31 December 2020 to RMB281.5 million at 31 December 2021. The Group has been experiencing certain slowing down of the local property market since the second half of 2021 in general which could further reduce pre-sales volume and collection of pre-sale proceeds. Above situations might impose liquidity pressure on the Group.

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern, and continue to take the following measures to maintain sufficient cash to meet its operation needs and commitments in respect of property projects:

(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 constructors and suppliers to arrange payments to these vendors and complete the construction progress as scheduled;

(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 for qualified project development; and

(iv) The Group will monitor the timely collection of the temporary funding receivables from third parties, and in the meantime, continuously cooperate with the related party and non-controlling shareholder of the project companies to provide funding support to ensure the development and sales of all existing projects as budgeted without material interruptions.

Management has prepared the Group's cash flow forecast which covers a period of at least 12 months from 31 December 2021. The cash flow forecast has taken into accounts the anticipated cash flows generated from the Group's operations, scheduled repayment of borrowings, obtaining of new borrowings, collection of temporary funding from third parties, and obtaining necessary funding support from the related parties and non-controlling shareholders of project companies.

The directors, after making due enquiries and considering the basis of Group's cash flow forecast and continuous measures described above, believe that, the Group will be able to generate sufficient funds to finance its operations and to meet its financial obligations when they fall due within the next 12 months from 31 December 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(iv) ***New standard and amendments of HKFRSs effective in 2021***

The Group has applied the following new standard and amendments for the first time for its annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform — Phase 2 — amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(v) ***New standard and amendments of HKFRSs not yet adopted***

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Sales of properties		
— Recognised at a point in time	**2,753,389**	2,417,639
Rental income	**5,305**	4,412
Others	**8,984**	—
	2,767,678	2,422,051

4 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	
	2021	2020
	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	**510,139**	437,319
— Construction costs and capitalised expenditures	**1,253,666**	1,064,977
— Net provision for decline in values of properties held for sale	**23,835**	33,178
— Interest capitalised	**108,422**	89,910
Staff costs	**120,486**	97,594
Advertising and publicity costs	**57,476**	43,038
Professional fees	**29,060**	22,589
Office and meeting expenses	**27,559**	22,605
Entertainment expenses	**24,173**	20,047
Depreciation of property, plant and equipment and amortisation of right-of-use assets	**13,843**	11,222
Stamp duty and other taxes	**11,312**	11,011
Tax and surcharges	**9,871**	8,888
Sales agent commission	**21,174**	8,935
Net impairment losses on financial assets	**2,100**	694
Bank charges	**1,394**	493
Travelling expenses	**321**	274
Rental expenses	**52**	342
Other expenses	**5,235**	4,781
Total cost of sales, selling and marketing expenses, administrative expenses and net impairment losses on financial assets	**2,220,118**	1,877,897

5 OTHER LOSSES — NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Penalties, fines and compensations	**(7,417)**	(822)
Accrued loss of a contract related to investment in an associate *(note)*	**(7,042)**	(13,000)
Donations	**(5,290)**	(6,336)
Exchange losses	**(334)**	(45)
Others	**(23)**	(248)
Losses on disposal of property, plant and equipment	**33**	(128)
Fair value gain/(losses) on financial assets at fair value through profit or loss	**21**	(48)
	(20,052)	(20,627)

Note:

The Group entered into a development contract with a co-developer in which the Group co-develops a project of associate company with the co-developer. Based on the best estimate as at 31 December 2021, the Group considered the carrying amount of its investment exceeds its recoverable amount by approximately RMB7,042,000 (2020: RMB 13,000,000) under this contract due to the higher expected future cost over the future benefits to be received, therefore impairment loss on investment was recorded.

6 FINANCE INCOME/(COSTS)

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Finance income		
— Interest income on bank deposits	**1,566**	1,414
Finance costs		
— Interest on bank borrowings and other long-term borrowings	**(60,187)**	(56,529)
— Interest on pre-sale deposits received	**(4,876)**	(56,568)
— Interest charges on lease liabilities	**(1,237)**	(1,077)
	(66,300)	(114,174)
Amount capitalised	**65,063**	103,298
Finance costs expensed	**(1,237)**	(10,876)
Finance income/(costs) — net	**329**	(9,462)

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current income tax		
PRC land appreciation tax	**95,344**	104,677
PRC corporate income tax	**155,398**	159,713
	250,742	264,390
Deferred income tax	**(13,932)**	(35,631)
Total income tax charged for the year	**236,810**	228,759

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 the 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 investor outside the PRC.

During 2019, withholding tax of RMB3,111,111 has been paid by the Group upon the payment of dividend. No additional deferred income tax charge for the years ended 31 December 2019 and 2020 has been recognised for the PRC withholding tax.

As at 31 December 2021, deferred PRC withholding income tax liabilities of RMB124,027,000 (31 December 2020: RMB101,789,000) have not been recognised on the remaining unremitted distributable profits of RMB1,240,266,000 (31 December 2020: RMB1,017,894,000) 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 statements of profit or loss as income tax expense.

Hong Kong profits tax

No provision for Hong Kong profits tax was provided as the Group's Hong Kong companies did not have assessable profits subject to Hong Kong profits tax for the years ended 31 December 2021 and 2020.

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 2021 and 2020.

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.

	Year ended 31 December	
	2021	2020
The Group's profit attributable to the owners of the Company (RMB'000)	**306,913**	284,011
Weighted average number of ordinary shares in issue ('000)	**1,200,000**	1,200,000
Basic and diluted earnings per share (expressed in RMB)	**0.26**	0.24

For the years ended 31 December 2021 and 2020, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

9 DIVIDENDS

		Year ended 31 December	
		2021	2020
		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 2021 and 2020	**60,000**	—
(iii)	Dividend not recognised at the end of the reporting period *(Note)*	**60,000**	60,000

Note:

On 25 March 2021, the Directors have recommended the payment of a final dividend of HK6.0 cents (equivalent to approximately RMB5.0 cents) per fully paid ordinary share in respect of the year ended 31 December 2020. Such proposed dividend is not recognised as a liability as at 31 December 2020. The dividend was approved at the annual general meeting of the Company held on 4 June 2021, and fully paid out by 8 July 2021.

On 30 March 2022, the Directors have recommended the payment of a final dividend of HK6.0 cents (equivalent to approximately RMB5.0 cents) per fully paid ordinary share in respect of the year ended 31 December 2021. Such proposed dividend is not recognised as a liability as at 31 December 2021.

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**—**	—
Other receivables and prepayments	**399,757**	275,865
	399,757	275,865

11 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables	**1,240,833**	1,118,625
Other payables	**823,669**	962,492
	2,064,502	2,081,117

At 31 December 2021 and 2020, the ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Less than 1 year	**1,006,923**	859,351
Between 1 and 2 years	**173,604**	192,035
Between 2 and 3 years	**23,545**	30,283
Over 3 years	**36,761**	36,956
	1,240,833	1,118,625

As at 31 December 2021 and 2020, the fair value of trade and other payables approximates their carrying amounts.

As at 31 December 2021 and 2020, 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 2021.

ANNUAL REVIEW

2021 was a difficult year for the real estate industry, with the Chinese housing market slumping after a rise and experiencing a significant growth recession. However, generally speaking, the sales, development and investment scale of the Chinese real estate industry continued to grow, with the housing market gradually moving towards a stage of stable, healthy and quality development.

2021 was an unusual year. Challenged by the complex and volatile property market condition in the PRC, the Henan floods, and the COVID-19 situation, the Group has adopted a scientific approach to making progress while maintaining stability. We have actively integrated our marketing system, firmly implemented a high-turnaround operation model, and adopted various measures to develop and expand our projects while achieving stable and healthy growth. Meanwhile, the Group actively undertook its corporate social responsibility and participated in many charitable events. We have donated approximately RMB5.29 million in total in response to the COVID-19 epidemic and the floods and on the 9/9 Charity Day.

In 2021, Xuchang Hengda was awarded the honorary title of "An Iconic Industrial Brand in China" at the China Brand Boao Summit, and was also named a "Real Estate Company Worthy of Attention from the Capital Market in 2021". Projects such as Xuchang Hengda Mingzhu and Hengda Xinzhu were rolled out one after another. The Beihai Longcheng project was named a "Good Exemplary Urban Project 2021–2022". The Hengda Heyuan and Yuzhou Binhefu projects were rated as "The Most Beautiful Construction Sites", and the latter was also named a "Good Exemplary Urban Project 2021".

In 2021, the Group established and acquired equity interests in the following nine companies: (I) Xuchang Hengrong Property Development Company Limited* (許昌市恒榮房地產開發有限公司); (II) Xuchang Hengchi Property Development Company Limited* (許昌恒馳房地產開發有限公司); (III) Xuchang Hengzhu Property Development Company Limited* (許昌恒築房地產開發有限公司); (IV) Yanling Wanhong Real Estate Company Limited* (鄢陵縣萬弘置業有限公司); (V) Yanling Zhengli Property Development Company Limited* (鄢陵縣政裡房地產開發有限公司); (VI) Yuzhou Taiyu Property Development Company Limited* (禹州市泰禹房地產開發有限公司); (VII) Changge Jiahe Real Estate Company Limited* (長葛市嘉合地產有限公司); (VIII) Xuchang Yonghong Property Development Company Limited* (許昌永宏房地產開發有限

公司); and (IX) Henan Hengzhi Construction Engineering Design Company Limited* (河南恒致建築工程設計有限公司), to enhance the coverage of our property sales and integrate the upstream portion of the supply chain.

Over the past 29 years of our development, the Group has always adhered to the principle of "Integrity Management, Fulfilling Every Promise" as we steadily moved forward and continued to develop new projects and contribute to urban development efforts as a provider of quality lifestyle services and a city operator.

ANNUAL RESULTS

For the year ended 31 December 2021, the Group's total revenue was approximately RMB2,767.7 million, representing an increase of approximately 14.3% from approximately RMB2,422.1 million for the year ended 31 December 2020. For the year ended 31 December 2021, the net profit was approximately RMB303.2 million, representing an increase of approximately 7.3% from approximately RMB282.6 million for the year ended 31 December 2020.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK6.0 cents per ordinary share (equivalent to approximately RMB5.0 cents per ordinary share) for the year ended 31 December 2021.

OUTLOOK

In 2021, faced with the complexities of the COVID-19 situation in the PRC and the stringent external conditions, the development of the Chinese economy was under multiple pressures. Nevertheless, as epidemic prevention and control requirements became normalized, the overall economy showed signs of a good recovery.

In 2021, as shown from the real estate trends provided by the National Bureau of Statistics, the total construction area of new property projects in the PRC saw a significant drop, and the growth rate of sales area of commercial properties slowed down. Coupled with the fact that relevant regulatory policies continued to tighten in the three previous quarters, property developers have been more reliant on sales returns and fundraises, and a growing number of companies, including major real estate players have been defaulting on their debt payments. On the whole, the entire industry has been experiencing unprecedented pressure.

Looking ahead to 2022, given the increasingly complex external environment in the PRC and disruptions to global economic growth resulting from COVID-19 control measures, the Chinese economy is still likely to face immense downward pressures. However, with the gradual recovery of the domestic economic circulation and the relaxation of COVID-19 response measures, China's economic growth is expected to remain stable.

In 2022, economic stability remains the top priority for the real estate industry in the PRC. Normal financing requirements for enterprises are likely to be relaxed as compared to 2021, and regulatory policies may be eased. In the long run, the primary tasks for the real estate industry are to speed up the elimination of weaker performers and promote a positive development cycle and healthy growth of the industry.

In 2021, under the combined influence of the floods and the COVID-19 epidemic, Henan Province has won two tough battles, namely COVID-19 prevention and control, and post-flood recovery. Its overall economy remained stable.

2022 will be a crucial year for Henan Province to speed up the implementation of its new development plan, for Henan is bearing the responsibilities of establishing such plan that will promote the development of China's central regions, protect the ecology along the Yellow River, achieve quality development, and accomplish other national strategies, to proactively carry out all duties under the national strategy. On 21 December 2021, Henan's first Xuchang-Zhengzhou-Europe express freight train departed for Europe carrying medical supplies. Henan now functions as a logistical hub for China to bolster international relations, which in turn will add momentum to the province.

In 2022, based on our established strategic plan, the Group will analyze the various problems encountered in our operations in 2021 scientifically to reach a careful conclusion, as well as do the following: (I) gather our strengths and adopt various measures to clear our excess inventory stock; (II) break down our major operation targets and strive for business efficiency; (III) improve our financial management to accurately observe financing policies; (IV) strengthen our construction management to optimize product designs; (V) create reasonable budget plans to reduce project costs while increasing efficiency; and (VI) increase brand influence and enhance digitalization.

In 2022, the Group will continue to march forward to embark on a new journey, take big steps to achieve breakthroughs, and create more beautiful chapters in our operations.

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

On 17 January 2022, the National Bureau of Statistics issued a report on the "Development and Investment of Real Estates in the PRC in 2021". According to the latest statistics therein, investment in real estate development in the PRC in 2021 amounted to approximately RMB14,760,200 million, representing an increase of approximately 4.4% as compared to the previous year. Of which, investment in residential properties amounted to approximately RMB11,117,300 million, representing an increase of approximately 6.4% as compared to 2020. Investment in real estate development in the eastern region of China amounted to approximately RMB7,769,500 million, representing an increase of approximately 4.2% as compared to the previous year. The investment in the central region amounted to approximately RMB3,116,100 million, representing an increase of approximately 8.2% as compared to the previous year. The investment in the western region amounted to approximately RMB3,336,800 million, representing an increase of approximately 2.2% as compared to the previous year. The investment in the north-eastern region was approximately RMB537,800 million, representing a decrease of approximately 0.8%. Analysis of the above data shows that investment growth slowed down, especially in the northeast region, whereas that of the central region remained stable, evidencing that the central region has been demonstrating its strengths as a populous area.

According to the National Bureau of Statistics, the total construction area of new property projects of real estate enterprises was approximately 1,988,950 thousand sq.m., representing a decrease of approximately 11.4% as compared to 2020. Of which, the total construction area of new residential projects was 1,463,790 thousand sq.m., representing a decrease of approximately 10.9% as compared to 2020. In addition, the total sales area of commercial properties of real estate enterprises was 1,794,330 thousand sq.m., representing an increase of approximately 1.9% as compared to the previous year. Of which, the total sales area of residential properties increased by approximately 1.1% as compared to the previous year, while that of office buildings increased by approximately 1.2%, whereas that of commercial and business properties decreased by approximately 2.6%.

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. The COVID-19 epidemic, industry policies, and the continued tightening of financing policies are all possible reasons for causing a slowdown in the real estate industry.

On 20 January 2022, the Henan Provincial Bureau of Statistics issued the "Development and Sales of Real Estates in Henan Province in 2021" report. According to the latest statistics, investment in real estate development in Henan Province amounted to approximately RMB787,435 million in 2021, representing an increase of approximately 1.2%. Of which, investment in residential properties amounted to approximately RMB669,609 million, representing an increase of approximately 3.8%.

In 2021, the total construction area of new property projects by Henan property developers was 136,528.9 thousand sq.m., representing a decrease of approximately 3.3%. Of which, the total construction area of new residential properties was 112,976.7 thousand sq.m., representing a decrease of approximately 0.6%, while the total sales area of commercial properties of real estate enterprises was approximately 132,771.9 thousand sq.m., representing a decrease of approximately 5.8%. Of which, the total sales area of residential properties decreased by approximately 4.5%, while that of office buildings decreased by approximately 43.7%, whereas that of commercial and business properties decreased by approximately 19.1%.

As shown from the various data regarding the Henan property market, except for having better statistics in terms of total new construction area than the whole country, Henan Province did significantly poorer in other areas. After analysis, we concluded that this was mainly attributed to the Henan floods and the COVID-19 situation, which posed great difficulties to Henan's real estate industry. However, in light of the growth rate of real estate investment in central China and the new construction area of properties in Henan, the Henan real estate industry as a whole remains optimistic about the future.

BUSINESS OVERVIEW

Due to the combined effect of factors such as the repeated COVID-19 outbreaks in the PRC, the severe floods affecting Henan in July, and the continued regulation of the real estate industry by industrial and financial policies, the Group endured a difficult year in 2021. Nevertheless, we overcame difficulties by making timely revisions to our business strategies and attained a healthy and stable growth.

In 2021, the Group established and acquired equity interests in the following nine companies: (I) Xuchang Hengrong Property Development Company Limited* (許昌市恒榮房地產開發有限公司); (II) Xuchang Hengchi Property Development Company Limited* (許昌恒馳房地產開發有限公司); (III) Xuchang Hengzhu Property Development Company Limited* (許昌恒築房地產開發有限公司); (IV) Yanling Wanhong Real Estate Company Limited* (鄢陵縣萬弘置業有限公司); (V) Yanling Zhengli Property Development Company Limited* (鄢陵縣政裡房地產開發有限公司); (VI) Yuzhou Taiyu Property Development Company Limited* (禹州市泰禹房地產開發有限公司); (VII) Changge Jiahe Real Estate Company Limited* (長葛市嘉合地產有限公司); (VIII) Xuchang Yonghong Property Development Company Limited* (許昌永宏房地產開發有限公司); and (IX) Henan Hengzhi Construction Engineering Design Company Limited* (河南恒致建築工程設計有限公司), to enhance the coverage of our property sales and integrate the upstream portion of the supply chain.

In 2021, the Group increased its investment in marketing and strategic planning, strengthened online promotion efforts, and deployed a team of professionals to clear our excess inventory stock. Meanwhile, for the purpose of optimizing our business structure and improving profitability, the Group acquired a design company with Class-A Construction Engineering Design Qualification during the year. On the other hand, the Group acquired approximately 350,000 sq.m. of commercial and residential land in Weidu District, Yanling Country, Changge City, and Yuzhou City through bidding invitations, auctions, and listings, as well as acquisitions and mergers. In terms of engineering technology, by continuously improving and updating our product specifications and our standardized product databases, and also by paying more attention to product quality and details, we could further improve customer experience when sales pressure increases.

The Group continued to maintain its "residential properties first, commercial properties second" business model to improve the convenience and comprehensive value of its residential projects. In face of the overall pressure within the real estate industry, the Group properly reduced its profitability targets in terms of market layout, worked to maintain our market share in the local Xuchang market and radiating to surrounding areas, and expanded our market share in other Henan cities in a timely manner.

Our Group will continue to adhere to the principle of "Integrity Management, Fulfilling Every Promise" and further improve our upstream and downstream supply chains, enhance work efficiency and risk control capabilities, and maintain stable development while withstanding pressure in the real estate industry.

LAND RESERVES

As at 31 December 2021, the GFA of the Group's land reserves was approximately 4.4 million square meters ("**sq.m.**"). The table below sets forth a summary of the land reserves as at 31 December 2021 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	50,151	628,343	101,572	780,066	17.8
Jian'an District	34,876	89,309	97,730	221,915	5.1
Yuzhou City	107,544	1,232,807	198,024	1,538,375	35.2
Changge City	38,200	301,207	280,299	619,706	14.2
Yanling County	24,936	—	278,637	303,573	6.9
Xiangcheng County	—	92,240	—	92,240	2.1
Dongcheng District	—	406,213	2,547	408,760	9.3
Economic and technological development zone	—	62,280	243,058	305,338	7.0
Luohe City					
Linying County	—	104,599	1,589	106,188	2.4
Total	255,707	2,916,998	1,203,456	4,376,161	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 2021	2020	% change +/-
Contracted sales attributable to:			
Residential units (RMB, million)	**3,742.8**	3,816.1	-1.9%
Commercial units (RMB, million)	**373.4**	398.6	-6.3%
Car parking spaces (RMB, million)	**158.0**	115.0	+37.4%
Others (RMB, million)	**37.9**	10.5	+261.0%
Total (RMB, million)	**4,312.1**	4,340.2	-0.6%
Contracted saleable GFA/Lot attributable to:			
Saleable GFA (sq.m.)	**619,125**	638,930	-3.1%
Car parking space (lot)	**2,832**	1,749	+61.9%
Contracted ASP attributable to:			
Saleable GFA (RMB/sq.m.)	**6,709**	6,793	-1.2%
Car parking space (RMB/lot)	**55,797**	65,752	-15.1%

Our contracted ASP per sq.m. of saleable GFA decreased by 1.2% to approximately RMB6,709 per sq.m. in 2021. The decrease in 2021 was mainly due to the decrease in market price of properties in Henan Province.

Our contracted ASP per lot for car parking space decreased by 15.1% to approximately RMB55,797 per lot in 2021 due to the lower ASP of the car parking spaces at the Yuzhou Sunshine City in 2021.

FINANCIAL REVIEW

Results

The financial performance and results for the year ended 31 December 2021 were satisfactory. Key financial ratios have met the expectation of the management.

During the year ended 31 December 2021, the revenue of the Group reached approximately RMB2,767.7 million (2020: RMB2,422.1 million), representing an increase of approximately 14.3%.

The Group recorded gross profit of approximately RMB851.5 million (2020: RMB779.0 million), representing an increase of approximately RMB72.5 million, or approximately 9.3%.

Gross profit margin was approximately 30.8% in 2021 (2020: 32.2%), representing a decrease of approximately 1.4% as compared with that in 2020.

Profit for the year slightly increased by approximately RMB20.6 million, or 7.3%, from approximately RMB282.6 million for the year ended 31 December 2020 to approximately RMB303.2 million for the year ended 31 December 2021.

Revenue

Our revenue was derived from (i) sales of properties, (ii) rental income and (iii) others. 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				
	2021		2020		% change
	RMB'000	***%***	*RMB'000*	*%*	+/-
Sales of properties	**2,753,389**	**99.5**	2,417,639	99.8	+13.9%
Rental income	**5,305**	**0.2**	4,412	0.2	+20.2%
Others	**8,984**	**0.3**	—	—	N/A
	2,767,678	**100.0**	2,422,051	100.0	+14.3%

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					
	2021			2020		
	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	**2,379,098**	**395,319**	**6,018**	2,019,393	309,952	6,515
Commercial	**292,802**	**37,139**	**7,884**	246,448	33,812	7,289
Storage	**12,501**	**5,563**	**2,247**	10,254	3,665	2,798
	2,684,401	**438,021**	**6,128**	2,276,095	347,429	6,551

	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	**68,988**	**1,197**	**57,634**	141,544	1,699	83,310

Sales of properties, which accounted for approximately 99.5% (2020: 99.8%) of our total revenue for the year ended 31 December 2021, were contributed by the sales of residential and commercial properties, storages and car parking spaces recognised in the year.

Our revenue increased by approximately RMB345.6 million or 14.3% from approximately RMB2,422.1 million for the year ended 31 December 2020 to approximately RMB2,767.7 million for the year ended 31 December 2021, which was principally attributable to the result of approximately RMB359.7 million increase in the sales of our residential properties during the year ended 31 December 2021.

The increase in sales of residential properties was mainly due to the effect of increase in GFA recognised from approximately 309,952 sq.m. for the year ended 31 December 2020 to approximately 395,319 sq.m. for the year ended 31 December 2021, despite 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 by 9.8% and increase of ASP per sq.m. from approximately RMB7,289 in 2020 to RMB7,884 in 2021.

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							
	2021				2020			
	Revenue *RMB'000*	**Cost of sales** *RMB'000*	**Gross profit** *RMB'000*	**Gross profit Margin** *%*	Revenue *RMB'000*	Cost of sales *RMB'000*	Gross profit *RMB'000*	Gross profit Margin *%*
Sales of properties								
— Residential	**2,379,098**	**1,641,097**	**738,001**	**31.0**	2,019,393	1,305,103	714,290	35.4
— Commercial	**292,802**	**177,477**	**115,325**	**39.4**	246,448	201,625	44,823	18.2
— Car parking spaces and storages	**81,489**	**84,877**	**(3,388)**	**-4.2**	151,798	136,362	15,436	10.2
Subtotal	**2,753,389**	**1,903,451**	**849,938**	**30.9**	2,417,639	1,643,090	774,549	32.0
Rental	**5,305**	**—**	**5,305**	**100**	4,412	—	4,412	100.0
Others	**8,984**	**12,740**	**(3,756)**	**-41.8**	—	—	—	—
	2,767,678	**1,916,191**	**851,487**	**30.8**	2,422,051	1,643,090	778,961	32.2

The overall gross profit margin of sales of properties and gross profit margin of sales of residential properties dropped from approximately 32.0% in 2020 to 30.9% in 2021 and approximately 35.4% in 2020 to 31.0% in 2021, respectively.

The gross profit margin of commercial properties increased from approximately 18.2% in 2020 to 39.4% in 2021, representing a year-on-year increase of approximately 116.5%. It was because the commercial properties delivered during the year ended 31 December 2020 were mainly commercial apartments with less ASP per sq.m..

The negative gross profit margin of sales of car parking spaces and storage in year 2021 was due to the combined effects of (i) decrease in market price of car parking spaces of certain projects in Xuchang City; and (ii) write-down of value of car parking spaces in 2021.

Profit for the year was approximately RMB303.2 million (2020: RMB282.6 million), representing an increase of approximately RMB20.6 million.

Fair value gains on investment properties

The Group's investment properties were valued at 31 December 2021 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 2021, the Group's selling and marketing expenses amounted to approximately of RMB139.6 million (2020: RMB102.0 million), representing an increase of approximately 36.9% as compared to that in 2020. The increase was mainly due to addition promotion activities and campaign for brand building during the year ended 31 December 2021.

Administrative expenses

The administrative expenses increased by approximately 22.8% from approximately RMB132.1 million in 2020 to approximately RMB162.2 million in 2021, the increase of administrative expenses was mainly due to the increase of staff costs.

Finance costs — net

Finance costs primarily consisted of (i) interest expenses on borrowings; (ii) interest on pre-sale deposits received and (iii) interest charges on 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 88.6% from approximately RMB10.9 million for the year ended 31 December 2020 to approximately RMB1.2 million for the year ended 31 December 2021. Such decrease was mainly due to the decrease of interest on pre-sale deposits received for the year ended 31 December 2021.

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 slightly increased by approximately 3.5% or RMB8.1 million from approximately RMB228.8 million for the year ended 31 December 2020 to the approximately RMB236.8 million for the year ended 31 December 2021.

Liquidity, financial resources and capital resources

As of 31 December 2021, the cash and cash equivalents amounted to approximately RMB281.5 million (31 December 2020: RMB554.5 million), of which approximately RMB279.8 million (31 December 2020: RMB553.7 million) was denominated in Renminbi and approximately RMB1.7 million (31 December 2020: RMB0.8 million) was denominated in Hong Kong dollars.

As at 31 December 2021, the restricted cash amounted to approximately RMB146.8 million (31 December 2020: RMB119.0 million), all restricted cash was denominated in Renminbi.

The Group's total borrowings amounted to approximately RMB693.0 million as of 31 December 2021 (31 December 2020: RMB552.0 million), of which approximately RMB288.8 million was classified as current liabilities (31 December 2020: RMB310.6 million). Approximately 55.4% (31 December 2020: 51.7%) out of the Group's total borrowings was fixed interest rates.

At 31 December 2021 and 2020, the Group's borrowings were repayable as follows:

	As at 31 December 2021			As at 31 December 2020		
	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
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	**107,800**	**156,200**	**—**	110,000	—	29,000
Other long-term borrowings	**124,377**	**97,000**	**151,000**	136,000	90,377	122,000
Other current borrowings	**56,580**	**—**	**—**	64,640	—	—
	288,757	**253,200**	**151,000**	310,640	90,377	151,000

Current, total and net assets

As of 31 December 2021, the Group had current assets of approximately RMB9,940.8 million (31 December 2020: RMB8,183.7 million) and current liabilities of approximately RMB8,015.3 million (31 December 2020: RMB6,702.1 million), the net current assets value increased from approximately RMB1,481.6 million as at 31 December 2020 to approximately RMB1,925.5 million as at 31 December 2021.

As of 31 December 2021, the Group had total assets of approximately RMB10,300.0 million (31 December 2020: RMB8,508.6 million) and total liabilities of approximately RMB8,454.5 million (31 December 2020: RMB6,978.5 million), representing an increase of net assets or total equity from approximately RMB1,530.1 million as at 31 December 2020 to approximately RMB1,845.5 million as at 31 December 2021.

Charge on assets

The Group's borrowings are secured by 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 our diversified land acquisition strategies, a subsidiary of the Group obtained the 20% equity interest of a project company (the "**Associate Company**") which hold a parcel of land for development through a bidding process, and remaining 80% equity interests are held by an independent third party (the "**Major Shareholder**"). Based on the investment agreement entered into by the Associate Company, the subsidiary of the Group and the Major Shareholder, the Associate Company has to repay the shareholder loans provided by the Major Shareholder within a specified timeframe after commencement of presale activities. If the Associate Company fails to return such shareholder loan on time, the subsidiary of the Group is required to provide funding to the Associate Company for the repayment of the shareholder loans. As at 31 December 2021, such shareholder loans of this Associate Company are approximately of RMB185 million.

In addition, pursuant to the investment agreement, the subsidiary of the Group also has to compensate for all losses of the Major Shareholder if the property project is delayed under certain conditions or that the repayment of shareholder loan is delayed beyond certain period stipulated in the investment agreement. As at 31 December 2021, management of the Group considers the risk of providing funding for repayment of shareholder loans or any compensation loss is low.

Key financial ratios:

	For the year ended 31 December	
	2021	2020
Profitability ratios		
Return on assets	**3.2%**	3.8%
Return on equity	**18.0%**	20.5%
Net profit margin	**11.0%**	11.7%

	As of 31 December	
	2021	2020
Liquidity ratio		
Current ratio	**1.2**	1.2
Capital adequacy ratios		
Gearing ratio *(note 1)*	**37.5%**	36.1%
Debt to equity ratio *(note 2)*	**22.3%**	N/A

Note 1: Gearing ratio is our total debts, including bank borrowings, other long-term borrowings and other current 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

On 24 June 2021, following a public listing-for-sale conducted on Henan Property Rights Exchange Centre, 許昌恒達房地產集團有限公司 (Xuchang Hengda Property Group Company Limited*) acquired from 禹州市禹翔房地產開發有限公司 (Yuzhou Yuxiang Real Estate Development Company Limited*) 90% of the equity interest in 禹州市泰禹房地產開發有限公司 (Yuzhou Taiyu Real Estate Development Company Limited*), a company incorporated in the PRC with limited liability and is principally engaging in the management, development and sales of real estate in Yuzhou City of Henan Province. For detail, please refer to the announcement of the Company dated 28 June 2021.

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries, associates or assets during the year ended 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Directors confirmed that as at the date of this 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 2021, the gearing ratio of the Group was approximately 37.5%, representing increase of approximately 1.4 percentage points as compared with approximately 36.1% as at 31 December 2020, which was mainly due to the increase of loans 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 2021, the Group had a total workforce of 739 employees (31 December 2020: 648). 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.

FORWARD LOOKING

Looking ahead to 2022, with the normalization of epidemic prevention and control requirements, the macro-economy in the PRC has been developing at a normal growth rate. At the real estate policy level, we will continue to adhere to the principle of "residential properties are for living, not speculation", improve the housing marketing and protection system, and implement the long-term regulatory targets of "stabilizing land premium, housing price, and market expectation". Meanwhile, the real estate industry will continue to maintain a sound monetary policy and continue to implement the "three red guidelines" to promote a positive development cycle and healthy growth of the industry.

In 2022, the Group will continue to focus on our established strategic plan to analyze and break down our operation targets, reasonably push forward our business progress and ensure the completion of our planned targets. The Group will make full use of our local branding strengths and cooperate with government institutions and other enterprises. Reducing capital investment, expanding our scale of operation, increasing the momentum of sustainable development, and improving inventory turnover will continue to be our major marketing priorities in the future. To this end, the Group will deploy more marketing staff, create online promotion campaigns, make appropriate price adjustments and adopt other strategies to significantly reduce excess inventory. With regards to new development projects, the Group will strengthen our node management system and continue to work according to our established pace and standards, so as to complete tasks at all levels and ensure the smooth implementation of all projects.

Marking the 30th anniversary of Ever Reach Group, 2022 is also an important year for our strategic planning. In these challenging times for the real estate industry, under the leadership of the Board, the Group will work together as a team, pool our knowledge and experience to weather the storm, and look forward to our future success.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK6.0 cents (equivalent to approximately RMB5.0 cents) per ordinary share in cash for the year ended 31 December 2021 to shareholders whose names appear on the register of members of the Company on 20 June 2022.

Subject to shareholders' approval at the forthcoming annual general meeting of the Company (the "**Annual General Meeting**"), the dividend is expected to be paid on or around 8 July 2022.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 9 June 2022. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 6 June 2022 to 9 June 2022, 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 2 June 2022.

The proposed final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting. The record date for entitlement to the proposed final dividend is 20 June 2022. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 16 June 2022 to 20 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, 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 15 June 2022.

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 2021, the Group complied with all the code provisions of the Corporate Governance Code (version up to 31 December 2021) 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 2021.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2021.

The unmodified auditor's report on the Company's consolidated financial statements for the year ended 31 December 2021 will be included in the 2021 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 2021 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 2021.

EVENTS AFTER THE REPORTING PERIOD

On 16 March 2022, Xuchang Hengda Property Group Company Limited* ("**Xuchang Hengda**") and Weidu Investment Limited Company* ("**Weidu Investment**") entered into a share transfer agreement. Xuchang Hengda agreed to transfer 49% equity interests in Xuchang Hengzhu Real Estate Development Company Limited* to Weidu Investment with nil consideration. The registration of share transfer was not completed as at the date of this announcement.

Save as the above, there were no significant events after 31 December 2021 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 2021 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 2021 Annual Report from which the contents of this announcement are derived.

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

Hong Kong, 30 March 2022

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*