

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONNECTED TRANSACTION

PROVISION OF FINANCIAL ASSISTANCE TO CONNECTED PERSON

PROVISION OF PLEDGED ASSETS IN FAVOUR OF CONNECTED PERSON

On 11 August 2022, Xuchang Hengda, as the pledgor, and Changge Rural Commercial Bank, as the pledgee, entered into an Asset Pledge Agreement pursuant to which Xuchang Hengda agreed to provide the Pledged Assets to Changge Rural Commercial Bank to secure certain repayment obligations of Weidu Guesthouse Limited under the Working Capital Loan Agreement. On the same date, Mr. LI and Xuchang Hengda entered into the Counter Guarantee Agreement pursuant to which Mr. LI provided a back-to-back personal guarantee in favour of Xuchang Hengda to secure Xuchang Hengda's potential liabilities under the Asset Pledge Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of the Asset Pledge Agreement, the entire registered share capital of Weidu Guesthouse Limited was owned by Henan Hengda Investment. Henan Hengda Investment was approximately owned by Mr. LI (an executive Director and controlling shareholder of the Company) as to approximately 67.1833%, Mr. WANG Zhenfeng (an executive Director) as to approximately 3.3833%, Ms. QI Chunfeng (an executive Director) as to approximately 18.65%, Mr. LI Shixun as to approximately 2.3833% and Ms. CHUN Xiaojun (all of whom being connected persons) as to approximately 1.15% and two independent third parties as to the remaining approximately 7.25%, hence Henan Hengda Investment and Weidu Guesthouse Limited are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, as Xuchang Hengda is an indirect wholly-owned subsidiary of the Company, the transactions contemplated under the Asset Pledge Agreement constitute connected transaction of the Company under the Listing Rules.

Since the applicable percentage ratios in respect of provision of the Pledged Assets by Xuchang Hengda to Changge Rural Commercial Bank are above 0.1% but less than 5%, the transaction was therefore only subject to reporting and announcement requirements and was exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

On 11 August 2022, Xuchang Hengda, as the pledgor, and Changge Rural Commercial Bank, as the pledgee, entered into an Asset Pledge Agreement pursuant to which Xuchang Hengda agreed to provide the Pledged Assets to Changge Rural Commercial Bank to secure certain repayment obligations of Weidu Guesthouse Limited under the Working Capital Loan Agreement. On the same date, Mr. LI and Xuchang Hengda entered into the Counter Guarantee Agreement pursuant to which Mr. LI provided a back-to-back personal guarantee in favour of Xuchang Hengda to secure Xuchang Hengda's potential liabilities under the Asset Pledge Agreement.

THE ASSET PLEDGE AGREEMENT

The principal terms of the Asset Pledge Agreement are set out as follows:

- Date : 11 August 2022
- Parties : (a) Xuchang Hengda as the pledgor; and
(b) Changge Rural Commercial Bank as the pledgee.
- Pledge obligations : the Pledged Assets have been provided to Changge Rural Commercial Bank to secure the working capital loan advanced by Changge Rural Commercial Bank to Weidu Guesthouse Limited in the principal amount of RMB9.5 million under the Working Capital Loan Agreement.
- Pledged Assets : (1) a commercial property unit located at Unit 113, 1/F, Building 8, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 41.21 sq.m.;
- (2) a commercial property unit located at Unit 105, 1/F, Building 8, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 59.85 sq.m.;

- (3) a commercial property unit located at Unit 118, 1/F, Building 8, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 41.25 sq.m.;
- (4) a commercial property unit located at Unit 107, 1/F, Building 8, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 60.61 sq.m.;
- (5) a commercial property unit located at Unit 309, 3/F, Building 8, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 183.86 sq.m.;
- (6) a commercial property unit located at Unit 117, 1/F, Building 8, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 50.09 sq.m.;
- (7) a commercial property unit located at Unit 111, 1/F–2/F, Building 8, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 206.53 sq.m.;
- (8) a commercial property unit located at Unit 109, 1/F, Building 8, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 51.48 sq.m.;
- (9) a commercial property unit located at Unit 108, 1/F, Building 8, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 51.03 sq.m.;
- (10) a commercial property unit located at Unit 106, 1/F–2/F, Building 5, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 140.39 sq.m.;
- (11) a commercial property unit located at Unit 115, 1/F–2/F, Building 8, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 424.26 sq.m.;
- (12) a commercial property unit located at Unit 116, 1/F, Building 8, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 49.6 sq.m.;
- (13) a commercial property unit located at Unit 110, 1/F, Building 8, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 66.97 sq.m.; and

(14) a commercial property unit located at Unit 106, 1/F, Building 8, Hengda Weiyuan, Weidu District, Xuchang City with a GFA of 59.85 sq.m..

Pursuant to a valuation report dated 22 August 2022 prepared by Henan Hengli Real Estate Assets Valuation Company Limited* (河南恒立房地產資產評估有限公司), a licensed real estate appraisal company in the PRC and an independent third party to the Group and its connected persons, the estimated pledge value of the Pledged Assets was RMB24,245,000.

Period of the pledge : Subject to the due repayment by Weidu Guesthouse Limited of all its indebtedness under the Working Capital Loan Agreement, the Pledge will remain in effect until 23 February 2023, being the maturity date of the Working Capital Loan Agreement.

THE COUNTER GUARANTEE AGREEMENT

On 11 August 2022, Mr. LI and Xuchang Hengda entered into the Counter Guarantee Agreement pursuant to which Mr. LI provided a back-to-back personal guarantee in favour of Xuchang Hengda to secure Xuchang Hengda's potential liabilities under the Asset Pledge Agreement.

The principal terms of the Counter Guarantee Agreement are set out as follows:

Date of Agreement : 11 August 2022

Guarantor : Mr. LI

Beneficiary : Xuchang Hengda

Guaranteed amount : (i) the amount represents the liabilities of Xuchang Hengda under the Asset Pledge Agreement;

(ii) Mr. LI shall pay damages to Xuchang Hengda at the rate of 0.03% per day of the liabilities assumed by Xuchang Hengda from the date of default under the Working Capital Loan Agreement until full recovery by Xuchang Hengda from Mr. LI; and

- (iii) all costs incurred by Xuchang Hengda in enforcing the guarantee, including but not limited to travel expenses, legal fees, investigation costs, consultancy fees incurred by Xuchang Hengda.

Period of the guarantee : From 11 August 2022 and until a date which shall be two years after all such liabilities of Xuchang Hengda under the Asset Pledge Agreement have been duly discharged

REASONS AND BENEFITS OF THE TRANSACTION

On 23 February 2022, Weidu Guesthouse Limited and Changge Rural Commercial Bank entered into the Working Capital Loan Agreement pursuant to which a principal amount of RMB9.5 million was advanced to Weidu Guesthouse Limited as a working capital loan to be used for the renovation of the Weidu Guesthouse operated by Weidu Guesthouse Limited.

The principal terms of the Working Capital Loan Agreement are set out as follows:

Date of Agreement : 23 February 2022

Borrower : Weidu Guesthouse Limited

Lender : Changge Rural Commercial Bank

Principal Amount : RMB9.5 million

Term : From 23 February 2022 to 23 February 2023

Interest : The one-year loan prime rate (LPR) at the date of the Working Capital Loan Agreement plus 494 basis points

Each of Mr. LI, Ms. LIN Wei (the spouse of Mr. LI), Henan Hengda Investment, Mr. Su Xinning (the legal representative of Weidu Guesthouse Limited), and Henan Lianghui Insulation Materials Limited* (河南良惠保温材料有限公司) provided personal guarantee in favour of Changge Rural Commercial Bank to secure the repayment obligation of Weidu Guesthouse Limited under the Working Capital Loan Agreement. The Pledged Assets were subsequently provided to Changge Rural Commercial Bank as additional collateral at the request of Changge Rural Commercial Bank.

Having considered that (1) the working capital loan obtained by Weidu Guesthouse Limited is for the purpose of renovation, and a re-decorated Weidu Guesthouse is expected to strengthen the synergy effect with the Group's existing business by hosting events and customer entertainment in the future, and allow the Group to potentially increase its revenue by enhancing its marketing and sales capabilities; (2) Mr. LI has provided a counter guarantee to the Group for the value of the Pledged Assets pursuant to the terms and conditions of the Counter Guarantee Agreement; (3) the provision of the Pledged Assets is to support Mr. LI for his continuous leadership and is in recognition of his generous financial assistance to the Group by way of interest-free loans advanced to the Group by Mr. LI and his associates in the aggregate sum of approximately RMB222,002,000, RMB150,294,000 and RMB195,134,000 for the financial year ended 31 December 2020, the financial year ended 31 December 2021 and the six months ended 30 June 2022, respectively, as disclosed in the relevant annual reports and interim report of the Company; and (4) as disclosed in the interim report for the six months ended 30 June 2022, the repayment of the Group's borrowings in the aggregate amount of approximately RMB464,000,000 remains to be guaranteed by Mr. LI and Ms. LIN Wei by way of personal guarantees provided to the lending financial institutions and Mr. LI and Ms. LIN Wei have not requested any form of compensation from the Group for providing the said personal guarantees, the Directors (including all the independent non-executive Directors) consider that the Asset Pledge Agreement has been entered into on normal commercial terms and the terms thereof are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The Group is principally engaged in the property development and property investment businesses in the PRC.

Weidu Guesthouse Limited is principally engaged in Guesthouse business, banquet services, sales of groceries, property leasing and parking services and operates its business in the Weidu district of Xuchang city, Henan Province. Weidu Guesthouse Limited is a connected person of the Company under the Listing Rules, for details please refer to the sections below headed "IMPLICATIONS UNDER THE LISTING RULES".

IMPLICATIONS UNDER THE LISTING RULES

As at the date of the Asset Pledge Agreement, the entire registered share capital of Weidu Guesthouse Limited was owned by Henan Hengda Investment. Henan Hengda Investment was approximately owned by Mr. LI (an executive Director and controlling shareholder of the Company) as to approximately 67.1833%, Mr. WANG Zhenfeng (an executive Director) as to approximately 3.3833%, Ms. QI Chunfeng (an executive Director) as to approximately 18.65%, Mr. LI Shixun as to approximately 2.3833% and Ms. CHUN Xiaojun (all of whom being connected persons) as to approximately 1.15% and two independent third parties as to the remaining approximately 7.25%, hence Henan Hengda Investment and Weidu Guesthouse Limited are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, as Xuchang Hengda is an indirect wholly-owned subsidiary of the Company, the transactions contemplated under the Asset Pledge Agreement constitute connected transaction of the Company under the Listing Rules.

Since the applicable percentage ratios in respect of provision of the Pledged Assets to Change Rural Commercial Bank are above 0.1% but less than 5%, the transaction was therefore only subject to reporting and announcement requirements and was exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

RELEASE OF THE PLEDGE ASSETS

Weidu Guesthouse Limited has confirmed to the Company that the principal amount and all interest owed under the Working Capital Loan Agreement have been repaid in full to Change Rural Commercial Bank on 17 February 2023. Accordingly, the Pledged Assets have been fully released.

REASONS FOR THE DELAY IN ANNOUNCEMENT OF THE TRANSACTION

Due to an inadvertent oversight by certain accounting personnel of a subsidiary of the Group, the Company did not make timely disclosure in respect of the financial assistance to the connected person as required under Chapter 14A of the Listing Rules. The incident of non-compliance came to the attention of the Board in the course of conducting the review of the Group's transactions took place during the year ended 31 December 2022.

Based on the Group's internal enquiry, it was found out that the relevant accounting staff of the subsidiary of the Group had mistakenly treated the transactions contemplated under the Asset Pledge Agreement as if they were intra-group transactions carried out in the usual course of business of Group and had not considered the transactions from a Listing Rules compliance perspective and had failed to bring the matter to the attention of the Board and the Legal Compliance Committee for approval. At the material time, no meeting was held nor had any written resolutions been adopted by the Board in respect of the transactions contemplated under the Asset Pledge Agreement. As the matter was not identified and reported to the Board for consideration at the material time, the Company did not make timely disclosure on the Asset Pledge Agreement as required and therefore inadvertently breached Rule 14A.35 of the Listing Rules.

In early February 2023, during the review of the Group's transactions took place during the year ended 31 December 2022, the management of the Company, after reviewing the Asset Pledge Agreement, became aware that the transactions contemplated under the Asset Pledge Agreement constituted connected transactions for the Company under the Listing Rules. On 27 February 2023, the management of the Company notified the Directors about the transactions contemplated under the Asset Pledge Agreement and the non-compliance with the Listing Rules and a meeting of the Board was convened on 2 March 2023 to ratify the transaction and discuss how the incident should be resolved and remedied.

At the Board meeting held to ratify and approve the transactions contemplated under the Asset Pledge Agreement, Mr. LI, Mr. WANG Zhenfeng and Ms. QI Chunfeng who hold management positions and shareholding interests in Henan Hengda Investment had abstained from voting on the relevant Board resolutions ratifying and approving the transactions contemplated under the Asset Pledge Agreement. Apart from the Directors mentioned above, none of the Directors has or is deemed to have a material interest in the Asset Pledge Agreement or is required to abstain from voting on the relevant Board resolutions ratifying and approving the Asset Pledge Agreement.

REMEDIAL ACTIONS

The Board sincerely regrets the delay in publishing the announcement on the Asset Pledge Agreement, which was the result of an inadvertent and unintentional oversight by a staff member of the Group. In order to ensure proper compliance of the Listing Rules and prevent recurrence of a similar incidence in the future, the Company will take the following remedial measures:

- (i) The Company will engage an internal control consultant to review the Group's internal control policies to identify any deficiencies in identifying, reporting and monitoring notifiable and connected transactions under the Listing Rules, and make recommendations to enhance the relevant internal control policies;

- (ii) The audit committee of the Company, with the assistance of the internal control consultant, will be entrusted with the responsibility to review and improve the internal control system and financial reporting system of the Company;
- (iii) The Company will modify its existing procedures in identifying, reporting and monitoring notifiable and connected transactions of the Group under Chapters 14 and 14A of the Listing Rules based on the review and the recommendations of the audit committee;
- (iv) The Company will issue relevant guidance and training materials on Chapter 14 and Chapter 14A of the Listing Rules to the Directors, senior management, and the relevant staff of the Group. The Company will also organise special and in-depth training sessions on compliance requirements and on how to identify notifiable and connected transactions, so as to reinforce staff’s knowledge on compliance requirements and improve the standard of corporate governance within the Group; and
- (v) The Company will continue to review and monitor the internal control measures of the Group to ensure all current and future transactions shall comply with the applicable requirements of the Listing Rules and other relevant laws and regulations.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“Asset Pledge Agreement”	An asset pledge agreement (抵押合同) dated 11 August 2022 pursuant to which Xuchang Hengda agreed to provide the Pledged Assets in favour of Weidu Guesthouse Limited to secure certain repayment obligations of Weidu Guesthouse Limited under the Working Capital Loan Agreement
“Board”	the board of Directors
“Changge Rural Commercial Bank”	Henan Changge Rural Commercial Bank Company Limited* (河南長葛農村商業銀行股份有限公司), a rural commercial bank in Henan province, PRC
“Company”	Ever Reach Group (Holdings) Company Limited, an exempted company incorporated in the Cayman Islands under the Cayman Companies Law with limited liability on 22 July 2016

“Counter Guarantee Agreement”	a counter guarantee agreement (個人保證反擔保合同) dated 11 August 2022 pursuant to which Mr. LI provided a back-to-back personal guarantee in favour of Xuchang Hengda to secure Xuchang Hengda’s potential liabilities under the Asset Pledge Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Henan Hengda Investment”	Henan Hengda Investment Company Limited* (河南恒達投資有限公司), a limited liability company established in the PRC on 17 October 2007 owned approximately by Mr. LI as to 67.1833%, Mr. WANG Zhenfeng as to 3.3833%, Ms. QI Chunfeng as to 18.65%, Mr. LI Shixun as to 2.3833% and Ms. CHUN Xiaojun as to 1.15% and two independent third parties as to the remaining 7.25%, and hence a connected person of our Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. LI”	Mr. LI Xiaobing, the chairman and an executive Director of the Board and the controlling shareholder of the Company
“Pledged Assets”	fourteen (14) commercial property units located in Hengda Weiyuan, Weidu District, Xuchang City, Henan Province, PRC, details of which are set out in the subsection headed “Pledged Assets” in the section headed “ASSET PLEDGE AGREEMENT”
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ Weidu Guesthouse ”	a guesthouse operated by Weidu Guesthouse Limited providing catering services located at No. 4 Laodong Road, Xuchang City, Henan Province, PRC
“ Weidu Guesthouse Limited ”	Xuchang Weidu Guesthouse Company Limited* (許昌魏都賓館有限公司), a connected person of the Company under the Listing Rules
“ Working Capital Loan Agreement ”	the working capital loan agreement (流動資金借款合同) dated 23 February 2022 entered into by Weidu Guesthouse Limited, as the borrower, and Changge Rural Commercial Bank, as the lender, pursuant to which a principal amount of RMB9.5 million working capital loan had been advanced to Weidu Guesthouse Limited
“ Xuchang Hengda ”	Xuchang Hengda Property Group Company Limited* (許昌恒達房地產集團有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent

* *English name for identification purpose only*

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

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

Hong Kong, 3 March 2023

As at the date of this announcement, the executive Directors of the Company are Mr. LI Xiaobing, Mr. WANG Zhenfeng, Ms. QI Chunfeng and Mr. WANG Quan; and the independent non-executive Directors of the Company are Mr. LEE Kwok Lun, Mr. WEI Jian and Mr. FANG Cheng.

The Directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any of the statements in this announcement misleading.