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 2022

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 2022 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	3	**2,861,771**	2,767,678
Cost of sales	4	**(2,440,395)**	(1,916,191)
Gross profit		**421,376**	851,487
Fair value (losses)/gains on investment properties		**(2,160)**	8,050
Selling and marketing expenses	4	**(124,270)**	(139,620)
Administrative expenses	4	**(135,658)**	(162,207)
Net reversal/(losses) of impairment on financial assets	4	**411**	(2,100)
Other income		**2,841**	4,092
Other losses — net	5	**(8,131)**	(20,052)
Operating profit		**154,409**	539,650
Finance income	6	**1,146**	1,566
Finance costs	6	**(1,137)**	(1,237)
Finance income — net		**9**	329
Profit before income tax		**154,418**	539,979
Income tax expense	7	**(76,649)**	(236,810)
Profit for the year		**77,769**	303,169
Attributable to:			
Owners of the Company		**84,812**	306,913
Non-controlling interests		**(7,043)**	(3,744)
		77,769	303,169
Earnings per share attributable to the owners of the Company (expressed in RMB)			
— Basic and diluted earnings per share	8	**0.07**	0.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Profit for the year	**77,769**	303,169
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year, net of tax	**77,769**	303,169
Attributable to:		
Owners of the Company	**84,812**	306,913
Non-controlling interests	**(7,043)**	(3,744)
	77,769	303,169

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**37,017**	41,978
Investment properties		**122,520**	124,680
Deferred tax assets		**175,793**	158,248
Right-of-use assets		**17,047**	19,721
Intangible assets		**13,825**	14,553
Total non-current assets		**366,202**	359,180
Current assets			
Prepayments for leasehold land		**232,990**	80,490
Properties held or under development for sale		**8,485,272**	8,915,148
Trade and other receivables and prepayments	*10*	**423,473**	399,757
Prepaid income taxes		**113,271**	104,697
Contract costs		**6,451**	6,234
Financial assets at fair value through profit or loss		**—**	6,155
Restricted cash		**180,778**	146,836
Cash and cash equivalents		**221,059**	281,489
Total current assets		**9,663,294**	9,940,806
Total assets		**10,029,496**	10,299,986

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
EQUITY			
Share capital		**10,645**	10,645
Share premium		**299,188**	299,188
Retained earnings		**1,272,885**	1,252,647
Other reserves		**188,715**	184,392
Equity attributable to owners of the Company		**1,771,433**	1,746,872
Non-controlling interests		**102,034**	98,588
Total equity		**1,873,467**	1,845,460
LIABILITIES			
Non-current liabilities			
Bank borrowings		**130,500**	156,200
Other long-term borrowings		**147,005**	248,000
Deferred tax liabilities		**15,900**	18,877
Lease liabilities		**13,441**	16,191
Total non-current liabilities		**306,846**	439,268
Current liabilities			
Bank borrowings		**193,000**	107,800
Other current borrowings		**3,500**	56,580
Current portion of other long-term borrowings		**198,840**	124,377
Contract liabilities		**4,854,156**	5,212,558
Trade and other payables	*11*	**2,272,588**	2,064,502
Current income tax liabilities		**319,890**	444,724
Lease liabilities		**7,209**	4,717
Total current liabilities		**7,849,183**	8,015,258
Total liabilities		**8,156,029**	8,454,526
Total equity and liabilities		**10,029,496**	10,299,986

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 2022

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

The Group has been experiencing certain slowing down of the local property market and the pre-sales volume and collection of pre-sale proceeds reduced accordingly in 2022. The cash collection from sales and pre-sales dropped significantly from RMB4.2 billion for the year ended 31 December 2021 to RMB2.5 billion for the year ended 31 December 2022, and cash and cash equivalents balance of the Group reduced from RMB281.5 million at 31 December 2021 to RMB221.1 million at 31 December 2022. Above situations imposed 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, and settle the land appreciation tax upon tax clearance;

(iii) The Group will continue to actively communicate with relevant banks and other financial institutions so that the Group can timely secure necessary project development loans or negotiate a better repayment schedule for its loans for qualified project development; and

(iv) The Group will continuously cooperate with the related parties and non-controlling shareholders 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 2022. 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 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 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(iv) New standards and amendments of HKFRSs effective in 2022

The Group has applied the following new standards and amendments for the first time for its annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to HKAS 16
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018–2020
- Reference to the Conceptual Framework — Amendments to HKFRS 3
- Covid-19 Related Rent Concessions beyond 30 June 2021 — Amendment to HKFRS 16 (March 2021)
- Amendments to AG 5 Merger Accounting for Common Control Combinations
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to HKAS 12
- Disclosure of Accounting Policies — Amendments to HKAS 1 and HKFRS Practice Statement 2

The new standards and 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 standards and amendments of HKFRSs not yet adopted

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards and amendments 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	
	2022	2021
	RMB'000	*RMB'000*
Sales of properties		
— Recognised at a point in time	**2,850,035**	2,753,389
Rental income	**6,832**	5,305
Service income	**4,904**	8,984
	2,861,771	2,767,678

4 EXPENSES BY NATURE

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

	Year ended 31 December	
	2022	2021
	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	**818,647**	510,139
— Construction costs and capitalised expenditures	**1,456,935**	1,253,666
— Net provision for decline in values of properties held for sale	**30,652**	23,835
— Interest capitalised	**106,694**	108,422
Staff costs	**119,487**	120,486
Advertising and publicity costs	**41,029**	57,476
Professional fees	**16,476**	26,780
Office and meeting expenses	**27,700**	27,559
Entertainment expenses	**19,168**	24,173
Depreciation of property, plant and equipment and amortisation of right-of-use assets	**12,974**	13,843
Amortisation of intangible assets	**728**	—
Stamp duty and other taxes	**10,629**	11,312
Tax and surcharges	**12,273**	9,871
Sales agent commission	**19,406**	21,174
Net reversal/(losses) of impairment on financial assets	**(411)**	2,100
Bank charges	**713**	1,394
Travelling expenses	**235**	321
Rental expenses	**230**	52
Other expenses	**4,067**	5,235
Audit service fee	**2,280**	2,280
Total cost of sales, selling and marketing expenses, administrative expenses and net reversal/(losses) of impairment on financial assets	**2,699,912**	2,220,118

5 OTHER LOSSES — NET

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Donations	**(5,643)**	(5,290)
Penalties, fines and compensations	**(3,756)**	(7,417)
Exchange losses	**(1,628)**	(334)
Fair value gains on financial assets at fair value through profit or loss	**—**	22
Impairment loss of a contract related to investment in an associate *(note a)*	**—**	(7,042)
(Losses)/gains on disposal of property, plant and equipment	**(727)**	33
Gains from disposal of a subsidiary *(note b)*	**203**	—
Others	**3,420**	(24)
	(8,131)	(20,052)

Notes:

(a) 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 under this contract due to the higher expected future cost over the future benefits to be received, therefore impairment loss on investment was recorded.

(b) On 16 March 2022, the Group and Weidu Investment Limited Company* ("**Weidu Investment**") entered into a share transfer agreement. The Group agreed to transfer 49% equity interests in Xuchang Hengzhu Real Estate Development Company Limited* ("**Xuchang Hengzhu**") to Weidu Investment with zero consideration. On 30 August 2022, the Group further transferred 10% equity interests in Xuchang Hengzhu to Weidu Investment with zero consideration. Upon completion the transfers, the Group held 41% equity interests in Xuchang Hengzhu which ceased to be a subsidiary of the Group and becomes an associated company of the Group. The Group recorded a gains from disposal of a subsidiary of approximately RMB203,000.

6 FINANCE INCOME/(COSTS)

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Finance income		
— Interest income on bank deposits	**1,146**	1,566
Finance costs		
— Interest on bank borrowings and other long-term borrowings	**(63,316)**	(60,187)
— Interest on pre-sale deposits received	**(286)**	(4,876)
— Interest charges on lease liabilities	**(1,137)**	(1,237)
	(64,739)	(66,300)
Amount capitalised	**63,602**	65,063
Finance costs expensed	**(1,137)**	(1,237)
Finance income — net	**9**	329

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current income tax		
PRC land appreciation tax	**12,863**	95,344
PRC corporate income tax	**84,308**	155,398
	97,171	250,742
Deferred income tax	**(20,522)**	(13,932)
Total income tax charged for the year	**76,649**	236,810

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 income tax liabilities for 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 2020 and 2021 has been recognised for the PRC withholding tax.

As at 31 December 2022, deferred PRC withholding income tax liabilities of RMB130,016,900 (31 December 2021: RMB124,027,000) have not been recognised on the remaining unremitted distributable profits of RMB1,300,169,000 (31 December 2021: RMB1,240,266,000) 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 2022 and 2021.

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 2022 and 2021.

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	
	2022	2021
The Group's profit attributable to the owners of the Company (RMB'000)	**84,812**	306,913
Weighted average number of ordinary shares in issue ('000)	**1,200,000**	1,200,000
Basic and diluted earnings per share (expressed in RMB)	**0.07**	0.26

For the years ended 31 December 2022 and 2021, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

9 DIVIDENDS

	Year ended 31 December	
	2022	2021
	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 2022 and 2021	**59,998**	60,000
(iii) Dividend not recognised at the end of the reporting period *(Note)*	**—**	60,000

Note:

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.

No dividend was declared or proposed for the year ended 31 December 2022.

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**—**	—
Other receivables and prepayments	**423,473**	399,757
	423,473	399,757

11 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade payables	**1,627,408**	1,240,833
Other payables	**645,180**	823,669
	2,272,588	2,064,502

At 31 December 2022 and 2021, the ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Less than 1 year	**1,192,950**	1,006,923
Between 1 and 2 years	**272,770**	173,604
Between 2 and 3 years	**105,935**	23,545
Over 3 years	**55,753**	36,761
	1,627,408	1,240,833

As at 31 December 2022 and 2021, the fair value of trade and other payables approximates their carrying amounts.

As at 31 December 2022 and 2021, 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 2022.

ANNUAL REVIEW

2022 was an extremely difficult year for the real estate industry. Against the backdrop of a tough and complex domestic economy, a real estate industry that was treading on thin ice, and the ravaging COVID-19 outbreak, consumer's confidence in the housing market was at a low ebb. With homebuyers putting their plans on hold, real estate sales plunged. To survive this economic downturn, companies in the real estate industry have made it their top priority to deliver properties with the quality and quantity as promised.

In the face of the many obstacles in the real estate market in 2022, the Group actively marketed itself through product and brand advertising and other traditional marketing methods. At the same time, we also involved all employees in our marketing efforts by building a team to develop sales channels, and made full use of existing and new customer resources to maximise sales. In addition, the Group continued to improve our business segments, and motivated our marketing team by dynamically adjusting the team's evaluation and incentive policies in a timely manner, based on marketing objectives in different periods, to enhance our overall competitiveness. Meanwhile, the Group also actively participated in charity work to fulfill its corporate social responsibilities. In 2022, we donated a total amount of approximately RMB5.6 million to charity.

In 2022, the Group was recognised as one of the "200 Top Real Estate Companies in China" at the "2022 Academic Conference for the Top 100 Real Estate Companies in China and the 19th Summit for the Top 100 Real Estate Companies in China", which was jointly hosted by the China Enterprises Evaluation Association, the Institute of Real Estate Studies of Tsinghua University, the Beijing China Index Information and Technology Research Institute, and organised by the China Real Estate Top 10 Research Team under the Beijing China Index Information and Technology Research Institute. The Group was also given the "2022 Contribution Award for Urban Operation" at the "2023 Xuchang Real Estate Industry Summit and the 2022 Xuchang Real Estate Annual Ranking" organised by Xuchang Daily. The Hengda Mingzhu, Hengda Gucheng Xinyuan, and Hengda Xinduhui projects were awarded the honorary title of being a "Safe, Civilised, and Standardised Demonstration Site" in Xuchang in 2022.

In 2022, the Group established and acquired equity interests in the following companies: (I) Xuchang Hengrun Real Estate Company Limited* (許昌市恒潤置業有限公司); and (II) Xuchang Jian'an District Hengyu Industrial Limited* (許昌市建安區恒鈺實業有限公司). At the same time, the Group also acquired equity interests in Xuchang Hengmu Company* (許昌恒木公司), increasing the share ratio from 51% to 100%, and continued to contribute to the sustainable development of the Group.

Over the past 30 years of our development, the Group has always adhered to the principle of "Integrity Management, Fulfilling Every Promise". After gaining a foothold in the market with our products and services, we have always insisted on developing the market in-depth, implementing a development strategy that pursues excellence and ensures effective operation, and strive to achieve a win-win situation for our customers, society, employees, and investors.

ANNUAL RESULTS

For the year ended 31 December 2022, the Group's total revenue was approximately RMB2,861.8 million, representing an increase of approximately 3.4% from approximately RMB2,767.7 million for the year ended 31 December 2021. For the year ended 31 December 2022, the net profit was approximately RMB77.8 million, representing a decrease of approximately 74.3% from approximately RMB303.2 million for the year ended 31 December 2021.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022.

OUTLOOK

In the face of a volatile international environment and the challenging COVID-19 situation within the country, the Chinese economy continued to grow under pressure in 2022. China's economic output reached RMB121 trillion, a record high after surpassing the RMB100 trillion and RMB110 trillion thresholds in 2020 and 2021, respectively. The overall economic and social situation remained harmonious and stable. According to data published by the National Bureau of Statistics, all aspects of the real estate industry recorded significant drops in 2022, as the entire industry was threatened by huge risks and challenges, along with a serious lack of market confidence.

Looking towards 2023, the recovery of the Chinese economy is still constrained by tremendous pressure, due to the ever-changing external environment and the impacts of the pandemic. The overall economic and social development is still in the recovering stage. Nevertheless, with adjustments to and the optimisation of pandemic prevention and control policies, and the promulgation of economic stabilisation policies, the economic environment is expected to improve and gradually rebound.

In 2023, the Group will actively explore new methods of real estate development and adhere to the principle of developing the real estate industry steadily and healthily. We will capture every opportunity arising during the recovery period of the real estate industry, and strive for growth at the most appropriate timings. The Group will (I) upgrade its marketing strategy and generate new market ideas. For products with excess inventory, we will first develop inventory plans, pave the way for stock clearance through investment, and then incorporate such plans into our business operation. Through proper investment and operation strategies, we can increase sales to clear surplus stock. By combining the strengths of the Group's policies, brands, products, and services, we will build our own unique competitiveness in the regional market. At the same time, we will drive traffic from online to in-store and vice versa, pay attention to customer needs, and constantly improve our product quality and services. We will also improve our marketing experience, realise value marketing, conduct careful statistical analysis and planning, and dig deep into customer behaviour; (II) enhance product competitiveness and establish a better and standardised system. Through the adoption of standardised technical measures, management files, systems, and procedures, we will improve the quality and depth of the Group's design and engineering management, so as to ensure, control and improve the quality of our products, thus enhancing their market competitiveness; (III) strengthen the entire cost management cycle, to practically enhance our cost control capability. By incorporating cost management approaches into the whole cycle of project development, we will establish a management system with five principles at its core, namely: "cost planning", "whole-process cost consultation and management", "cost review", "target cost and the correlation between operating, management and financial expenses", and "evaluation of completed projects", to systematically manage the cost of every project; (IV) strengthen employees' awareness of position management, and create more effective talent training programmes. We will increase employees' productivity through the remuneration, benefits, and performance appraisal systems, ensure that employees are capable and suited for their positions, and offer tailor-made coaching and trainings to meet the specific needs of employees in different positions, to enhance the overall skills and capability of our employees.

In 2023, the Group will continue to move forward and overcome challenges. We will maintain the stable and healthy operation of our business, make active improvements, and embark on a new journey together with all employees.

ACKNOWLEDGEMENT

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

Li Xiaobing
Chairman and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

On 17 January 2023, the National Bureau of Statistics issued a report on the "10.0% Reduction in the Development and Investment of Real Estate in the PRC in 2022". According to the latest statistics therein, investment in real estate development in the PRC in 2022 amounted to approximately RMB13,289,500 million, representing a decrease of approximately 10.0% as compared to the previous year. Of which, investment in residential properties amounted to approximately RMB10,064,600 million, representing a decrease of approximately 9.5% as compared to 2021. Investment in real estate development in the eastern region of China amounted to approximately RMB7,247,800 million, representing a decrease of approximately 6.7% as compared to the previous year. The investment in the central region amounted to approximately RMB2,893,100 million, representing a decrease of approximately 7.2% as compared to the previous year. The investment in the western region amounted to approximately RMB2,748,100 million, representing a decrease of approximately 17.6% as compared to the previous year. The investment in the northeastern region was approximately RMB400,500 million, representing a decrease of approximately 25.5%. Analysis of the above data shows that investment growth slowed down, especially in the northeast region, which recorded a 25.5% drop. According to the above data, it can be seen that in 2022, the development and investment of real estates in the PRC remained in a state of deterioration, with a high development and investment pressure. Real estate companies were not proactive enough in acquiring land.

According to the National Bureau of Statistics, the total construction area of new property projects of real estate enterprises in 2022 was approximately 1,205.87 million sq.m., representing a decrease of approximately 7.2% as compared to 2021. Of which, the total construction area of new residential projects was 881.35 million sq.m., representing a decrease of approximately 39.8% as compared to 2021. In addition, the total sales area of commercial properties of real estate enterprises was 1,358.37 million sq.m., representing a decrease of approximately 24.3% as compared to the previous year. Of which, the total sales area of residential properties decreased by approximately 26.8% as compared to the previous year, while that of office buildings decreased by approximately 3.3%, whereas that of commercial and business properties decreased by approximately 8.9%. 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 and the lack of confidence among homebuyers are all possible reasons for causing a slowdown in the real estate industry.

On 21 January 2023, the Henan Provincial Bureau of Statistics issued the "Development and Sales of Real Estates in Henan Province in 2022" report. According to the latest statistics, investment in real estate development in Henan Province amounted to approximately RMB679,336 million in 2022, representing a decrease of approximately 13.7%. Of which, investment in residential properties amounted to approximately RMB580,216 million, representing a decrease of approximately 13.4%.

In 2022, the total construction area of new property projects by Henan property developers was 89.49 million sq.m., representing a decrease of approximately 34.5% as compared to 2021. Of which, the total construction area of new residential properties was 73.67 million sq.m., representing a decrease of approximately 34.8%, while the total sales area of commercial properties of real estate enterprises was approximately 111.41 million sq.m., representing a decrease of approximately 16.1%. Of which, the total sales area of residential properties decreased by approximately 15.9%, while that of office buildings decreased by approximately 6.5%, whereas that of commercial and business properties decreased by approximately 19.1%.

As shown from the various data regarding the Henan property market, Henan Province saw a large decline in all areas in 2022. After analysis, we concluded that this was mainly attributed to the COVID-19 situation, which posed great difficulties to Henan's real estate industry in 2022, while the lack of confidence among homebuyers and concerns about the delivery risks of real estate projects were also significant factors for the decline. However, with the removal of COVID-19 control measures and the introduction of relevant policies to stabilise the market, the Henan real estate industry as a whole remains optimistic about the future.

BUSINESS OVERVIEW

2022 marks 30 years since the Group was established, yet it was also the most difficult year we have ever seen, with the evident global and national economic downturn. Despite the relaxation of COVID-19 prevention measures at the end of 2022, the impact of the pandemic on the real estate industry remained significant. It is difficult for homebuyers' confidence to return in the short term. While the future development direction of the real estate industry was laid out at the Central Economic Work Conference at the end of 2022, time is still needed for policies to become effective. The Group will take a proactive approach in dealing with the existing difficulties by continuously adjusting and optimising our operation strategies in general, to ensure that the cornerstone to our survival and development is unshakeable, thus buying us precious time to regain our vitality.

In 2022, the Group, through continuous practice, adjusted its marketing strategies according to the actual sales performance. We increased online promotion and sales, reduced selling costs and expenses, and strengthened our sales potential. To maximise sales, we encouraged all employees to actively participate in sales activities, and rewarded top sales performers. Meanwhile, the Group also optimised the structure of its functional departments, and reduced its capital expenses without affecting the normal operation of the Company. The Group has also been proactively managing the progress of construction projects to ease our financial pressure. In terms of engineering and technology, the Group has been paying more attention to product quality and details, by constantly improving and updating our product compatibility standards and our database of standardised floor plans, which helped to enhance customer experience and satisfaction, and strengthened our brand image.

In 2022, the Group established and acquired equity interests in the following companies: (I) Xuchang Hengrun Real Estate Company Limited* (許昌市恒潤置業有限公司); and (II) Xuchang Jian'an District Hengyu Industrial Limited* (許昌市建安區恒鈺實業有限公司). The Group also acquired equity interests in Xuchang Hengmu Company* (許昌恒木公司), increasing the share ratio from 51% to 100%. At the same time, the Group acquired commercial and residential land in optimal locations in Xuchang through bidding invitations, auctions, and listings, with a gross floor area ("**GFA**") of approximately 160,000 square meters.

With the spirit of an innovation pioneer, the Group is always determined to forge ahead to create beautiful chapters for urban construction with sincerity, kindness and responsibility. At the same time, we are committed to gaining a foothold in the market with our products and services, as well as implementing a development strategy where we focus on in-depth market development, pursue excellence, and ensure effective operation. As a service provider of quality living and a constructor of urban operation, we aim to develop the Xuchang market in depth, and venture into the surrounding areas, as we strive to realise a win-win situation for our customers, society, employees, and investors.

LAND RESERVES

As at 31 December 2022, the GFA of the Group's land reserves was approximately 4.1 million square meters ("**sq.m.**"). The table below sets forth a summary of the land reserves as at 31 December 2022 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	82,390	286,543	101,572	470,505	11.44
Jian'an District	52,211	49,200	97,730	199,141	4.84
Yuzhou City	79,219	1,138,716	197,916	1,415,851	34.42
Changge City	9,719	383,984	167,321	561,024	13.64
Yanling County	19,531	174,770	103,867	298,168	7.25
Xiangcheng County	13,131	55,088	74,389	142,608	3.47
Dongcheng District	—	406,213	208,272	614,485	14.94
Economic and technological development zone	—	134,744	170,594	305,338	7.42
Luohe City					
Linying County	—	106,188	—	106,188	2.58
Total	256,201	2,735,446	1,121,661	4,113,308	100

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

CONTRACTED SALES

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

	For the year ended 31 December		% change
	2022	2021	+/-
Contracted sales attributable to:			
Residential units (RMB, million)	**1,823.0**	3,742.8	-51.3%
Commercial units (RMB, million)	**240.4**	373.4	-35.6%
Car parking spaces (RMB, million)	**55.2**	158.0	-65.1%
Others (RMB, million)	**13.7**	37.9	-63.9%
Total (RMB, million)	**2,132.3**	4,312.1	-50.6%
Contracted saleable GFA/Lot attributable to:			
Saleable GFA (sq.m.)	**337,623**	619,125	-45.5%
Car parking space (lot)	**942**	2,832	-66.7%
Contracted ASP attributable to:			
Saleable GFA (RMB/sq.m.)	**6,152**	6,709	-8.3%
Car parking space (RMB/lot)	**58,599**	55,797	+5.0%

Our contracted ASP per sq.m. of saleable GFA decreased by 8.3% to approximately RMB6,152 per sq.m. in 2022. The decrease in 2022 was mainly due to the decrease in market price of properties in Henan Province.

FINANCIAL REVIEW

Results

The financial performance and results for the year ended 31 December 2022 were average. Key financial ratios have met the expectation of the management.

During the year ended 31 December 2022, the revenue of the Group reached approximately RMB2,861.8 million (2021: RMB2,767.7 million), representing an increase of approximately 3.4%.

The Group recorded gross profit of approximately RMB421.4 million (2021: RMB851.5 million), representing a decrease of approximately RMB430.1 million, or approximately 50.5%.

Gross profit margin was approximately 14.7% in 2022 (2021: 30.8%), representing a decrease of approximately 52.3% as compared with that in 2021.

Profit for the year decreased by approximately RMB225.4 million, or 74.3%, from approximately RMB303.2 million for the year ended 31 December 2021 to approximately RMB77.8 million for the year ended 31 December 2022.

Revenue

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

	Year ended 31 December				
	2022		2021		% change
	RMB'000	***%***	*RMB'000*	*%*	+/-
Sales of properties	**2,850,035**	**99.6**	2,753,389	99.5	+3.5%
Rental income	**6,832**	**0.2**	5,305	0.2	+28.8%
Service income	**4,904**	**0.2**	8,984	0.3	-45.4%
	2,861,771	**100.0**	2,767,678	100.0	+3.4%

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					
	2022			2021		
	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	**2,507,763**	**438,742**	**5,716**	2,379,098	395,319	6,018
Commercial	**232,703**	**26,323**	**8,840**	292,802	37,139	7,884
Storage	**20,944**	**10,706**	**1,956**	12,501	5,563	2,247
	2,761,410	**475,771**	**5,804**	2,684,401	438,021	6,128

	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	**88,625**	**1,770**	**50,071**	68,988	1,197	57,634

Sales of properties, which accounted for approximately 99.6% (2021: 99.5%) of our total revenue for the year ended 31 December 2022, were contributed by the sales of residential and commercial properties, storages and car parking spaces recognised in the year.

Our revenue increased by approximately RMB94.1 million or 3.4% from approximately RMB2,767.7 million for the year ended 31 December 2021 to approximately RMB2,861.8 million for the year ended 31 December 2022, which was principally attributable to the result of approximately RMB128.7 million increase in the sales of our residential properties during the year ended 31 December 2022.

The increase in sales of residential properties was mainly due to the effect of increase in GFA recognised from approximately 395,319 sq.m. for the year ended 31 December 2021 to approximately 438,742 sq.m. for the year ended 31 December 2022, despite partially offset by the decrease in ASP per sq.m..

The decrease in the sales of our commercial properties during the year was primarily due to the decrease in GFA recognised by 29.1%, despite partially offset by the increase of ASP per sq.m. from approximately RMB7,884 in 2021 to RMB8,840 in 2022.

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							
	2022				2021			
	Revenue *RMB'000*	**Cost of sales** *RMB'000*	**Gross profit/ (loss)** *RMB'000*	**Gross profit Margin** %	Revenue *RMB'000*	Cost of sales *RMB'000*	Gross profit/ (loss) *RMB'000*	Gross profit Margin %
Sales of properties								
— Residential	**2,507,763**	**2,136,982**	**370,781**	**14.8**	2,379,098	1,641,097	738,001	31.0
— Commercial	**232,703**	**152,230**	**80,473**	**34.6**	292,802	177,477	115,325	39.4
— Car parking spaces and storages	**109,569**	**141,784**	**(32,215)**	**-29.4**	81,489	84,877	(3,388)	-4.2
Subtotal	**2,850,035**	**2,430,996**	**419,039**	**14.7**	2,753,389	1,903,451	849,938	30.9
Rental	**6,832**	**—**	**6,832**	**100.0**	5,305	—	5,305	100.0
Service income	**4,904**	**9,399**	**(4,495)**	**-91.7**	8,984	12,740	(3,756)	-41.8
	2,861,771	**2,440,395**	**421,376**	**14.7**	2,767,678	1,916,191	851,487	30.8

The gross profit margin of sales of properties and gross profit margin of sales of residential properties dropped from approximately 30.9% in 2021 to 14.7% in 2022 and approximately 31.0% in 2021 to 14.8% in 2022, respectively.

The gross profit margin of residential properties decreased from approximately 31.0% in 2021 to 14.8% in 2022, representing a year-on-year decrease of approximately 52.3%. It was primarily attributable to the increase in unit costs of properties held for sale.

The negative gross profit margin of sales of car parking spaces and storage in year 2022 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 2022.

Fair value (losses)/gains on investment properties

The Group's investment properties were valued at 31 December 2022 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 2022, the Group's selling and marketing expenses amounted to approximately of RMB124.3 million (2021: RMB139.6 million), representing a decrease of approximately 11.0% as compared to that in 2021. The decrease was mainly due to less promotion activities and campaign for brand building during the year ended 31 December 2022.

Administrative expenses

The administrative expenses decreased by approximately 16.3% from approximately RMB162.2 million in 2021 to approximately RMB135.7 million in 2022, the decrease of administrative expenses was mainly due to the decrease of staff costs.

Finance costs

Finance costs primarily consisted of interest expenses on borrowings and 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 8.1% from approximately RMB1.2 million for the year ended 31 December 2021 to approximately RMB1.1 million for the year ended 31 December 2022.

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 decreased by approximately 67.7% or RMB160.2 million from approximately RMB236.8 million for the year ended 31 December 2021 to the approximately RMB76.6 million for the year ended 31 December 2022. Such decrease was mainly due to the decrease of profit before tax for the year ended 31 December 2022.

Liquidity, financial resources and capital resources

As of 31 December 2022, the cash and cash equivalents amounted to approximately RMB221.1 million (31 December 2021: RMB281.5 million), of which approximately RMB220.4 million (31 December 2021: RMB279.8 million) was denominated in Renminbi and approximately RMB0.7 million (31 December 2021: RMB1.7 million) was denominated in Hong Kong dollars.

As at 31 December 2022, the restricted cash amounted to approximately RMB180.8 million (31 December 2021: RMB146.8 million), all restricted cash was denominated in Renminbi.

The Group's total borrowings amounted to approximately RMB672.8 million as of 31 December 2022 (31 December 2021: RMB693.0 million), of which approximately RMB395.3 million was classified as current liabilities (31 December 2021: RMB288.8 million). Approximately 61.1% (31 December 2021: 55.4%) out of the Group's total borrowings was fixed interest rates.

At 31 December 2022 and 2021, the Group's borrowings were repayable as follows:

	As at 31 December 2022			As at 31 December 2021		
	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	**193,000**	**64,000**	**66,500**	107,800	156,200	—
Other long-term borrowings	**198,840**	**134,468**	**12,537**	124,377	97,000	151,000
Other current borrowings	**3,500**	**—**	**—**	56,580	—	—
	395,340	**198,468**	**79,037**	288,757	253,200	151,000

Current, total and net assets

As of 31 December 2022, the Group had current assets of approximately RMB9,663.3 million (31 December 2021: RMB9,940.8 million) and current liabilities of approximately RMB7,849.2 million (31 December 2021: RMB8,015.3 million), the net current assets value slightly decreased from approximately RMB1,925.5 million as at 31 December 2021 to approximately RMB1,814.1 million as at 31 December 2022.

As of 31 December 2022, the Group had total assets of approximately RMB10,029.5 million (31 December 2021: RMB10,300.0 million) and total liabilities of approximately RMB8,156.0 million (31 December 2021: RMB8,454.5 million), representing an increase of net assets or total equity from approximately RMB1,845.5 million as at 31 December 2021 to approximately RMB1,873.5 million as at 31 December 2022.

Charge on assets

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

Contingent liabilities

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

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

(b) In line with 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 2022, such shareholder loans of this Associate Company are approximately of RMB184 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. The Group considers the risk of providing funding for repayment of shareholder loans or any compensation loss is low as the development progress has been continuously communicated and mutually agreed, and there is no material delay of the agreed progress on development of such property.

(c) The Group has provided certain pledges of its investment properties, properties held or under development for sale for bank borrowings of third parties and a related party (collectively referred to as "**borrowers**") amounting to approximately RMB110,500,000. The Group has either obtained counter-guarantees from the related parties of the borrowers or these borrowers are related to the suppliers of the Group. If the borrowers fail to repay the bank borrowings and the banks demand repayment of outstanding bank borrowings including accrued interests from the Group, in such circumstances, the Group has the right to demand repayment from the borrower's related parties or to offset such amount against the account payables due to the suppliers of the Group. Therefore, the directors consider the credit risk of these pledges is limited.

Key financial ratios:

	For the year ended 31 December	
	2022	2021
Profitability ratios		
Return on assets	**0.8%**	3.2%
Return on equity	**4.2%**	18.0%
Net profit margin	**2.7%**	11.0%

	As of 31 December	
	2022	2021
Liquidity ratio		
Current ratio	**1.2**	1.2
Capital adequacy ratios		
Gearing ratio *(note 1)*	**35.9%**	37.5%
Debt to equity ratio *(note 2)*	**24.1%**	22.3%

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

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 2022.

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 2022, the gearing ratio of the Group was approximately 35.9%, representing a decrease of approximately 1.6 percentage points as compared with approximately 37.5% as at 31 December 2021.

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 2022, the Group had a total workforce of 755 employees (31 December 2021: 739). The remuneration policy is reviewed by the Board from time to time. Emoluments of Directors are determined by the remuneration committee of the Company after considering performance of the Group, individual performance and comparing with market conditions. In addition to basic remuneration, the Group also provides medical insurance, social insurance contribution plans or other pension schemes, and other benefits in kind to the employees. The Group adopted a five-day work week policy applying to our certain back office staff to execute the philosophy of work-life balance.

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

FORWARD LOOKING

Looking forward to 2023, we expect to see positive changes in the real estate market, as the relevant policies become effective. As one of the economic pillars of China, the real estate industry is supported by favourable conditions that will contribute to its future development, despite being in the adjustment stage. First, China is undergoing urbanisation, with an urbanisation rate still lower than developed countries. Second, local governments are gradually introducing measures to accommodate inelastic and improving housing demand, which help increase homebuyers' willingness to purchase properties. The real estate market will stay committed to the principle of "residential properties are for living, not speculation". Meanwhile, with the continuous improvement of a housing system that ensures supply through multiple sources and provides housing support through multiple channels, the real estate market will develop in a steady and healthy manner.

The Group bid farewell to 2022 and welcomed 2023 at the most difficult time. Yet, considering the introduction of various policies, 2023 is also the beginning of a new hope. The Group will re-examine the future market environment, formulate effective strategic plans to advance our business operation, and ensure the achievement of our goals.

After enduring the trials and tests of the 2022 pandemic and the industrial environment, the Group has further consolidated its brand advantages in the local area. During the sudden COVID-19 outbreak in early May, the Group procured more than RMB300,000 worth of vegetables and distributed it to 4,379 households under lockdown for free, garnering praise from the house owners and the community. This allowed the Group to further enhance its reputation and gain recognition from the local government and its customers. In 2023, the Group will continue to collaborate with government platform companies, optimise the capital investment for different projects, and stabilise the scale of our business operation. Improving inventory turnover remains a key marketing priority in the future. As such, the Group will continue to increase sales and significantly reduce the proportion of products with excess inventory by making appropriate price adjustments and increasing online and offline promotion of for-sale projects, to achieve our annual sales targets. As for projects under development, we will strengthen our node management system, and stabilise the construction and market deliverance progress of our projects in a timely manner according to the changes of the market, while also guaranteeing that quality assurance is the solid foundation for our future development.

In 2023, the Group will start a new chapter of its business. At the recently concluded Central Economic Work Conference, the direction of the 2023 real estate policy was laid out, which was to "ensure the stable development of the real estate market". Although the real estate industry is still in a difficult situation, with the implementation of favourable policies and their effective results, the Group's employees and managers at all levels are confident in and capable of getting our overall operation back to the path of stable development.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2022.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 9 June 2023. 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 2023 to 9 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 5 June 2023.

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 2022, 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 2022.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2022.

The unmodified auditor's report on the Company's consolidated financial statements for the year ended 31 December 2022 will be included in the 2022 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 2022 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 2022.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no significant events after 31 December 2022 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 2022 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 2022 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, 4 April 2023

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*